

## **VIA CFTC PORTAL**

February 28, 2025

Mr. Christopher Kirkpatrick  
Commodity Futures Trading Commission  
1155 21<sup>st</sup> Street NW  
Three Lafayette Centre  
Washington, DC 20581

### **LCH Limited self-certification: US Treasury Futures Clearing**

Dear Mr. Kirkpatrick,

Pursuant to Commodity Futures Trading Commission (“CFTC”) Regulation §40.6(a), LCH Limited (“LCH”), a derivatives clearing organization registered with the CFTC, is submitting for self-certification updates to its FCM Regulations and FCM Procedures (“LCH Rules”) related to US Treasury (“UST”) Futures Clearing.

#### **Part I: Explanation and analysis**

LCH relaunched its Listed Rates clearing service<sup>1</sup> in September 2024, clearing for the FMX Futures Exchange (“FMX”), a Designated Contract Market registered with the CFTC. As part of this relaunch, LCH began clearing certain short term interest rate (“STIR”) futures contracts linked to the Secured Overnight Financing Rate (“SOFR”). LCH is now proposing to clear certain US Treasury (“UST”) futures contracts listed on FMX, beginning on March 31, 2025.

To support the launch, LCH is proposing to amend the LCH Rules, primarily by adding detail with respect to the delivery process for UST futures contracts and to make other minor changes in response to clearing member feedback.

#### **Part II: Description of the rule changes**

##### *FCM Regulations*

LCH proposes to remove the definition of “FCM Omnibus Listed Interest Rates Portfolio Margining Client Account with LCH”. In FCM Regulation 9, LCH is clarifying that if there are negative interest rates, LCH may charge such interest on amounts outstanding to the FCM Clearing Member’s Proprietary Account only. In FCM Regulation 11, LCH is clarifying that if the FCM Clearing Member fails to designate an account for a FCM contract, LCH may designate the relevant FCM Transaction as ineligible for registration as an FCM Contract. Finally, FCM Regulation 14 is being amended to provide additional information regarding how the FCM Portfolio Margining Service will operate.

<sup>1</sup> LCH’s Listed Rates clearing service previously cleared certain interest rate derivatives denominated in EUR and GBP listed on the CurveGlobal Exchange prior to its closure in 2022.

## *FCM Procedures*

In the FCM Procedures, LCH is making several amendments to Section 2.1.25 (“FCM Portfolio Margining Service”) to clarify details on the opt-in procedure, eligibility criteria and portfolio margining processes. LCH is adding a new sub-section (“Section 2.3.7 - US Treasury Futures Contracts – Delivery Procedures”) that provides details on interpretations and definitions with respect to the delivery of UST futures contracts and outlines the operational delivery processes for UST futures. Following the previous introduction of affiliate clearing for FCM Clearing Members, LCH is proposing to amend Section 3 (“Financial Transactions”) and Section 4 (“Collateral”). Specifically, LCH proposes to amend Section 3 to clarify the Collateral segregation requirements for FCM Clients and FCM Affiliates and Section 4 to clarify contingency processes for the transfer of non-cash collateral in the event of a system outage. LCH proposes to make other cleanup and conforming amendments to the FCM Procedures to remove references and sections that are no longer relevant to the relaunched Listed Rates clearing service.

Changes to the LCH Rules are included as **Appendices I - II in blackline form**.

LCH proposes to make these changes effective not earlier than March 31, 2025, subject to all necessary regulatory approvals.

### **Part III: Core Principles Compliance**

LCH has reviewed the proposed rule changes against the requirements of the Core Principles and finds it will continue to comply with all requirements and standards set forth therein. Specifically, this rule change relates to Core Principle C (“Participant and Product Eligibility”), Core Principle D (“Risk Management”) and Core Principle E (“Settlement Procedures”), and rule §39.12, §39.13 and §39.14, respectively.

LCH believes the proposed changes meet the objectives of Core Principle C, including that LCH has appropriate processes for clearing UST futures, considering LCH’s ability to manage the associated risks. In determining whether to offer UST futures clearing, LCH considered factors that included trading volume, liquidity, availability of pricing data and the ability for LCH to manage any associated risks within its operational, risk management and default management tools. LCH carefully considered these factors and determined that UST futures clearing meets its requirements and the requirements of Core Principle C and rule §39.12.

LCH also believes the proposed changes meet the objectives of Core Principle D. LCH will clear this product in line with its existing risk management framework, operational capabilities and default management tools. This includes the ability to measure and monitor credit exposure, establish appropriate margin amounts and mitigate the potential for loss in the event of a clearing member default. Therefore, LCH believes that the proposed changes meet the objectives of Core Principle D and rule §39.13.

Finally, LCH believes the proposed changes meet the objectives of Core Principle E as it pertains to physical delivery. LCH is required to establish rules that clearly state each of its obligations with respect to physical deliveries and whether it indemnifies clearing members for losses incurred in the delivery process. LCH is proposing to amend its FCM Procedures to provide detail on the physical delivery process to occur bilaterally between Buyer and Seller, including by describing the processes required by both parties to facilitate delivery of the underlying securities. The FCM Procedures are also being amended to clarify that LCH will not deliver or accept for delivery any underlying securities in the event of a delivery failure. Moreover, LCH will clarify that it reserves the right to impose penalties on either Buyer or Seller for failed deliveries and that such penalties are in addition to the Consideration Value for the relevant UST futures contract(s). Thus, LCH believes that the proposed changes meet the objectives of Core Principle E and rule §39.14.

**Part IV: Public Information**

LCH has posted a notice of pending certification with the CFTC and a copy of the submission on LCH's website at: <https://www.lch.com/resources/rulebooks/proposed-rule-changes>.

**Part V: Opposing Views**

There were no opposing views expressed to LCH by governing board or committee members, members of LCH or market participants that were not incorporated into this proposal.

**Certification**

LCH hereby certifies to the CFTC, pursuant to the procedures set forth in CFTC Regulation §40.6, that the attached submission complies with the Commodity Exchange Act, as amended, and the regulations promulgated thereunder.

Should you have any questions, please contact me at [ryan.hajen@lseg.com](mailto:ryan.hajen@lseg.com).

Yours sincerely,

*Ryan Hajen*

Ryan Hajen  
Senior Compliance Manager  
LCH Limited



**LSEG** POST  
TRADE

**LCH**

**Appendix I**  
FCM Regulations  
*Changed Pages*

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**FCM REGULATIONS OF LCH LIMITED**

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in connection with FCM Listed Interest Rates Contracts executed on a Rates Exchange that is a designated contract market. Each FCM Omnibus Listed Interest Rates Client Account with LCH is a book-entry account, the associated Collateral of which is held in the LCH Futures Client Depository Account.

**“FCM Omnibus Listed Interest Rates Portfolio Margining Client Account with LCH”**

means an omnibus account maintained on the books of the Clearing House in the name of an FCM Clearing Member for the benefit of its FCM Clients, in which the FCM Listed Interest Rates Contracts executed on a Rates Exchange that is a designated contract market and cleared by such FCM Clearing Member on behalf of such FCM Clients and that have been designated by such FCM Clearing Member to be recorded in such account, and all associated Collateral and Margin, will be reflected on the books of the Clearing House. Such FCM Omnibus Listed Interest Rates Portfolio Margining Client Account with LCH will not have attributed to it any FCM Contracts or Margin other than in connection with FCM Listed Interest Rates Contracts executed on a Rates Exchange that is a designated contract market. Each FCM Omnibus Listed Interest Rates Portfolio Margining Client Account with LCH is a book-entry account, the associated Collateral of which is held in the LCH Futures Client Depository Account.

~~**“FCM Omnibus Listed Interest Rates Portfolio Margining Client Account with LCH”**~~

~~means an omnibus account maintained on the books of the Clearing House in the name of an FCM Clearing Member for the benefit of its FCM Clients, in which the FCM Listed Interest Rates Contracts executed on a Rates Exchange that is a designated contract market and cleared by such FCM Clearing Member on behalf of such FCM Clients and that have been designated by such FCM Clearing Member to be recorded in such account, and all associated Collateral and Margin, will be reflected on the books of the Clearing House. Such FCM Omnibus Listed Interest Rates Portfolio Margining Client Account with LCH will not have attributed to it any FCM Contracts or Margin other than in connection with FCM Listed Interest Rates Contracts executed on a Rates Exchange that is a designated contract market. Each FCM Omnibus Listed Interest Rates Portfolio Margining Client Account with LCH is a book entry account, the associated Collateral of which is held in the LCH Futures Client Depository Account.~~

**“FCM Omnibus SwapClear** means an omnibus account maintained on the books of the

## REGULATION 9 CERTAIN GENERAL PROVISIONS APPLICABLE TO ACCOUNTS

- (a) Each FCM Clearing Member shall maintain appropriate books and records identifying all pertinent information regarding: (i) its FCM Clients and FCM Affiliates for which it provides FCM Clearing Services; (ii) the FCM Contracts cleared for its FCM Clients and FCM Affiliates; (iii) FCM Contracts cleared in its Proprietary Account; and (iv) the Collateral and Margin balance in respect of each type of cleared FCM Contracts described in (i) – (iii), subject to the provisions of the following paragraph (e). Without limitation of the foregoing, each FCM Clearing Member shall ensure that its books and records accurately reflect at all times the FCM Contracts and the value of any Collateral attributed to each FCM Omnibus Client Account with LCH and each FCM Client Sub-Account therein (where applicable) for the relevant FCM Clients.
- (b) No FCM Clearing Member may withdraw any amount from any of its FCM Omnibus Client Accounts with LCH, any of its FCM Affiliate Accounts, or its Proprietary Account if such withdrawal would cause the account's Margin balance to be less than the Required Margin then attributable to such FCM Omnibus Client Account with LCH, to such FCM Affiliate Account, or to such Proprietary Account, as applicable, as determined by the Clearing House in accordance with the provisions of the FCM Rulebook; **provided, that** the Clearing House may prohibit an FCM Clearing Member from withdrawing any amount from any of its Proprietary Account(s) if the FCM Client Sub-Account Balance in any of its FCM Client Sub-Accounts would be less than the Required Margin then attributable to any such FCM Client Sub-Account and there is an insufficient amount of FCM Buffer (within the applicable FCM Omnibus Swaps Client Account with LCH) available to offset any such deficiencies.
- (c) Accounts shall be opened between each FCM Clearing Member and the Clearing House in accordance with the FCM Procedures. An FCM Clearing Member shall be responsible to the Clearing House for all obligations owed to the Clearing House in respect of every account opened in respect of such FCM Clearing Member.
- (d) Amounts standing to the credit of an FCM Clearing Member's account relating to Contributions made under the Default Rules may be applied as provided for in the Default Rules.
- (e) Any rights of set-off, combination of accounts or appropriation which the Clearing House may have under these FCM Regulations or otherwise shall apply whether or not accounts are denominated in the same currency.
- (f) Interest calculated on a basis determined from time to time by the Clearing House in accordance with the FCM Procedures may at the Clearing House's discretion (but subject to the provisions of the Default Rules) be paid, ~~or, in the case of negative interest rates, be charged,~~ on amounts standing to the credit of any of the FCM Clearing Member's accounts. In the case of negative interest rates, the Clearing House may charge such interest on amounts standing to the credit of the FCM Clearing Member's Proprietary Account only.
- (g) Debit balances due to the Clearing House on any account opened in respect of an FCM Clearing Member are payable by such FCM Clearing Member on demand and .

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in respect of an FCM Clearing Member's Proprietary Account only, interest may at the Clearing House's discretion be charged on debit balances remaining unpaid (whether or not demand for payment is made) on a basis and at a rate determined from time to time by the Clearing House in accordance with the FCM Procedures.

- (h) Subject to the provisions of the Default Rules, the Clearing House may at its absolute discretion alter the basis of calculating interest rates and such alteration shall be effective in respect of all current and future business on the date notified to FCM Clearing Members in accordance with the FCM Procedures.
- (i) If an FCM Clearing Member specifies a Termination Date under FCM Regulation 37, the FCM Clearing Member shall be entitled to set off any or all amounts (whether present or future, liquidated or unliquidated, actual or contingent) due as between the Clearing House and the FCM Clearing Member to the extent permitted under Applicable Law, provided, however, that in accordance with the FCM Rulebook, including FCM Regulation 7, and Applicable Law, an FCM Clearing Member's obligations to the Clearing House may never be set off with amounts in or owed with respect to an FCM Client Sub-Account, except for obligations solely in respect of that FCM Client Sub-Account or another FCM Client Sub-Account of the same FCM Client.
- (j) Where a payment has been made to the Clearing House by an FCM Clearing Member through the relevant account(s), that payment will only be credited to the account of the applicable FCM Clearing Member with the Clearing House if it (i) is paid into an account of the Clearing House with an institution which is solvent, (ii) that institution has performed its concentration function (being the transfer of net funds from the institution to a central account in the name of the Clearing House) and (iii) that institution has made any relevant payments to other FCM Clearing Members on the date when the payment was due to be received by the Clearing House.



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**CHAPTER IV - CONTRACT FORMATION, REGISTRATION AND TRANSFER**

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**REGULATION 11 DESIGNATION**

An FCM Clearing Member shall designate the account of the FCM Clearing Member in which a prospective FCM Contract shall be registered in the manner and form and by the time prescribed by the FCM Procedures. If the FCM Clearing Member fails to so designate an account, the Clearing House may, at its discretion and in accordance with the FCM Procedures, ~~determine in which account of the FCM Clearing Member the~~designate the relevant FCM Transaction as ineligible for registration as an FCM Contract ~~shall be entered.~~

**REGULATION 13 TRANSFER**

Except as otherwise expressly provided herein, the provisions of FCM Regulation 13(a), (b), (c), (d), (f), (j) and (k) do not apply in respect of transfers of FCM SwapClear Contracts or FCM ForexClear Contracts.

- (a) Transfer of FCM Client and FCM Affiliate FCM Contracts and Collateral from Carrying Clearing Members to Receiving Clearing Members. A Receiving FCM Clearing Member may, upon the instruction or at the request of an FCM Client or FCM Affiliate, request (in the manner set out in the FCM Procedures) that the Clearing House transfer to the Receiving Clearing Member some or all of (x) an FCM Client's FCM Contracts registered to its FCM Client Sub-Account, an FCM Omnibus Futures Client Account with LCH, or to an FCM Omnibus Foreign Futures Client Account with LCH with a Carrying Clearing Member, or (y) an FCM Affiliate's FCM Contracts registered to an FCM Affiliate Omnibus Account or to its FCM Affiliate Individual Account (together, such FCM Contracts subject to transfer, the "Porting Contracts"). Where ~~the~~such Porting Contracts ([other than FCM Listed Interest Rates Contracts](#)) constitute the entire portfolio of an FCM Client's or FCM Affiliate's FCM Contracts registered with the Carrying Clearing Member (and only in such case), the Receiving FCM Clearing Member may also request in connection with such transfer the transfer of the applicable Collateral attributable to such FCM Client or FCM Affiliate (such Collateral, the "Porting Collateral"). It is a condition precedent to any transfer described in this paragraph that:
- (i) the FCM Client or FCM Affiliate has not become insolvent (such FCM Client or FCM Affiliate to be presumed to be solvent by the Clearing House unless evidenced to the contrary by the Carrying Clearing Member in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House);
  - (ii) neither the Carrying Clearing Member nor the Receiving Clearing Member is a Defaulter;
  - (iii) the Receiving FCM Clearing Member has consented to the transfer of the Porting Contracts and, if applicable, the Porting Collateral;
  - (iv) the Clearing House determines that, following the transfer, the Receiving FCM Clearing Member shall have satisfied the Required Margin in respect of the Porting Contracts;
  - (v) in the event that the transfer would lead to an increase in Required Margin due from the Carrying Clearing Member to the Clearing House, the Carrying Clearing Member provides sufficient Margin to the Clearing House to satisfy such requirement; and
  - (vi) the Carrying Clearing Member has not rejected such transfer (it being presumed by the Clearing House that the Carrying Clearing Member has not rejected the transfer unless it has rejected it in the manner set forth in the FCM Procedures or as otherwise reasonably determined by the Clearing House).

For purposes of clause (vi) above, the Carrying Clearing Member will be entitled to reject the transfer only if (A) the applicable FCM Client or FCM Affiliate has failed to satisfy all outstanding obligations that are due and payable to the Carrying Clearing Member and its affiliates, including any increased Margin due and payable that may result from the proposed transfer (for this purpose, “obligations” shall consist only of those obligations that arise as a result of cross-margining, cross-netting or other similar arrangements with respect to the Porting Contracts of the FCM Client or FCM Affiliate which are being transferred, or, if applicable, the FCM Client’s or FCM Affiliate’s related Collateral), (B) the transfer of the Porting Contracts would result in the FCM Client or FCM Affiliate breaching exposure limits with, and/or other risk parameters set by the Carrying CM Clearing Member and/or its affiliates, or (C) such rejection is otherwise in accordance with terms agreed as between the Carrying FCM Clearing Member and the relevant FCM Client or FCM Affiliate.

- (b) **Additional Provisions Relating to the Transfer of Collateral.** In order to facilitate a transfer pursuant to paragraph (a) above that includes the transfer of Porting Collateral, the Carrying Clearing Member shall notify the Clearing House of the specific Collateral which should constitute the Porting Collateral. The Receiving FCM Clearing Member shall take such actions and provide such information in connection with the transfer as may be required under the FCM Procedures. In the event that the Carrying Clearing Member fails to notify the Clearing House of the specific Collateral which should constitute the Porting Collateral, the Clearing House shall identify and select (in the manner set out in the FCM Procedures) the Collateral it deems appropriate.

Once the Porting Collateral has been identified as set out in the above paragraph, the Receiving FCM Clearing Member may elect to reject the transfer of some or all of the Porting Collateral. Any such rejection in and of itself shall not prevent the transfer of the Porting Contracts, **provided, that** the conditions set out in clauses (i) through (vi) of FCM Regulation 13(a) are satisfied in relation to such transfer. Following an acceptance by the Receiving FCM Clearing Member to receive a transfer of the Porting Collateral, the Clearing House shall transfer the Porting Collateral that has been identified to and consented by the Receiving FCM Clearing Member. In the event that, for whatever reason, the Clearing House is unable to transfer the Porting Collateral that has been accepted by the Receiving FCM Clearing Member, the Clearing House will not proceed with the transfer of the Porting Contracts.

- (c) **Additional Provisions Relating to Transfers of Client Positions from Carrying Clearing Members to Receiving Clearing Members.**
- (i) Further to the satisfaction of the conditions set out in FCM Regulation 13(a) and FCM Regulation 13(b), and provided that the Clearing House does not determine, in its sole discretion, that (x) a transfer pursuant to FCM Regulation 13(a) cannot be effected under the Rulebook or otherwise under Applicable Law or (y) where the transfer is as described in paragraph (b) of the definition of “Receiving Clearing Member”, additional conditions as set out in Regulation 60 or Regulation 95 of the UK General Regulations need to be complied with, the Clearing House shall transfer the Porting Contracts into the name of the Receiving Clearing Member as follows: (A) where the Receiving Clearing Member is the same entity as the FCM Client or FCM

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Affiliate, the Porting Contracts (and associated Porting Collateral, if applicable) shall be transferred to the Proprietary Account of the Receiving Clearing Member; (B) where the Receiving Clearing Member is an FCM Clearing Member and the FCM Affiliate of the Carrying Clearing Member is also an FCM Affiliate of such Receiving Clearing Member, the Porting Contracts (and associated Porting Collateral, if applicable) shall be transferred to the relevant FCM Affiliate Omnibus Account or FCM Affiliate Individual Account of the Receiving Clearing Member; (C) in all other cases, the Porting Contracts (and associated Porting Collateral, if applicable) shall be transferred to the relevant FCM Client Sub-Account, FCM Omnibus Futures Client Account with LCH or FCM Omnibus Foreign Futures Client Account with LCH of the Receiving Clearing Member (where the Receiving Clearing Member is an FCM Clearing Member) or otherwise to the relevant Individual Segregated Account, Omnibus Segregated Account or Custodial Segregated Account of the Receiving Clearing Member as the case may be (where the Receiving Clearing Member is not an FCM Clearing Member). In respect of a transfer pursuant to FCM Regulation 13(a) where the Receiving Clearing Member is not an FCM Clearing Member, all of the FCM Contracts to be transferred (which are subject to the FCM Rulebook) shall, upon transfer, be converted to Contracts subject to the Rulebook (as defined in the UK General Regulations) but shall otherwise remain on the same contract terms. — The transfer of the Porting Contracts shall occur by novation of all of the Carrying Clearing Member's rights and obligations in respect of such Porting Contracts to the Receiving Clearing Member.

- (ii) In the case where a transfer pursuant to FCM Regulation 13(a) will include the transfer of Porting Collateral in addition to the transfer of Porting Contracts:
  - (A) Upon completion of the transfer, (x) the Clearing House shall have satisfied and discharged all of its obligations under the FCM Clearing Membership Agreement and the FCM Rulebook to repay or return to the Carrying Clearing Member any amounts in respect of such Porting Collateral; and (y) the Porting Collateral furnished to the Clearing House by the Carrying Clearing Member and held by the Clearing House in respect of the Porting Contracts shall be deemed to have been delivered by the Receiving Clearing Member to the Clearing House (aa) where the Receiving Clearing Member is not an FCM Clearing Member, in the case of cash Collateral, by way of title transfer and, in the case of non-cash Collateral, shall be held by the Clearing House on behalf of the Receiving Clearing Member and such Receiving Clearing Member's rights in such non-cash Collateral shall become subject to the relevant Deed of Charge of the Receiving Clearing Member, or (bb) where the Receiving Clearing Member is an FCM Clearing Member, by way of a first-priority security interest granted by the Receiving Clearing Member to the Clearing House under the FCM Clearing Membership Agreement and the FCM Rulebook. Furthermore, and for the avoidance of doubt, the Carrying Clearing Member shall have no right or entitlement to assert any claim over, or right with respect to, the Porting Collateral transferred.

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- (B) Where all or a portion of the Porting Collateral has been accepted by the Receiving FCM Clearing Member, the transfer of the Porting Contracts and the accepted Porting Collateral shall be deemed to occur simultaneously, and the transfer of the Porting Contracts shall be conditioned on the transfer of the accepted Porting Collateral, and vice versa.
- (C) If the transfer of all Porting Contracts and (if applicable) all accepted Porting Collateral is not completed for any reason, then any actual transfer of Porting Collateral or Porting Contracts that has occurred, as the case may be, shall be deemed not to have occurred, and any actual transfer of Porting Collateral or Porting Contracts that has occurred shall be immediately unwound.
- (d) **Other Transfers of FCM Contracts.** If and to the extent permitted under Applicable Law, and , where applicable, under relevant Exchange Rules or the rules of an FCM Approved Trade Source System, an FCM Clearing Member may:
- (i) upon an FCM Client Default or other FCM Client default, or as otherwise permitted under and subject to Applicable Law (including the applicable provisions of the CEA, the FCM Procedures and CFTC Regulations regarding the segregation of assets),
- (A) in the case of Swaps Products, effect the transfers described in Section 2.1.14 or 2.2.22 of the FCM Procedures,
- (B) in the case of Futures Products, transfer Open FCM Contracts between its Proprietary Account or the Proprietary Account of a SwapClear Clearing Member to its applicable FCM Omnibus Futures Client Account with LCH; or
- (C) in the case of Foreign Futures Products, transfer Open FCM Contracts between its Proprietary Account or the Proprietary Account of a SwapClear Clearing Member to its applicable FCM Omnibus Foreign Futures Client Account with LCH, or
- (ii) transfer Open FCM Contracts registered to or for the account of one FCM Client to another account of an FCM Client.
- (iii) upon an FCM Affiliate Default or other FCM Affiliate default, or as otherwise permitted under and subject to Applicable Law (including the applicable provisions of the CEA, the FCM Procedures and CFTC Regulations regarding the segregation of assets),
- (1) [reserved],
- (2) in the case of Futures Products, transfer Open FCM Contracts between its Proprietary Account or the Proprietary Account of a Listed Interest Rates Clearing Member to its applicable FCM Affiliate Omnibus Account; or

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- (3) in the case of Foreign Futures Products, transfer Open FCM Contracts between its Proprietary Account or the Proprietary Account of a Listed Interest Rates Clearing Member to its applicable FCM Affiliate Omnibus Account, or
- (1) transfer Open FCM Contracts registered to or for the account of one FCM Affiliate to another account of an FCM Affiliate.
- (e) **Where an FCM Clearing Member is a Defaulter.** If an FCM Clearing Member is a Defaulter, the Clearing House shall take such actions, subject to and in accordance with the Default Rules, and as may be required by the CEA, CFTC Regulations and applicable bankruptcy laws regarding the liquidation or transfer of FCM Contracts carried by such FCM Clearing Member on behalf of its FCM Clients and FCM Affiliates. If possible under such Applicable Law and the Default Rules, the Clearing House shall undertake to dispose of open FCM Contracts that are Swap Products held by FCM Clients of the Defaulter in accordance with the instructions of such FCM Clients, either by liquidating such FCM Contracts or by transferring such FCM Contracts to the FCM Clearing Member designated by such FCM Clients within seven calendar days of the date that the FCM Clearing Member is declared to be a Defaulter; **provided, that** the Clearing House shall at all times act in accordance with the Default Rules, the requirements of the CEA, CFTC Regulations, any instructions from a Regulatory Body and applicable bankruptcy laws regarding the liquidation or transfer of FCM Contracts; **provided, further, that** the Clearing House shall have no responsibility or liability whatsoever for any action taken or not taken with respect to the accounts and FCM Contracts of FCM Clients of the Defaulter in accordance with such Applicable Law or the directions of any Regulatory Body or bankruptcy trustee. For the avoidance of doubt, the Client Clearing Annex which forms part of the Default Rules does not apply to FCM Contracts. In the event that the Clearing House does not receive instructions from FCM Clients in a timely manner, or the Clearing House for any reason deems it necessary or appropriate for its protection, or the protection of market participants, the Clearing House may take any action with respect to the Open FCM Contracts of FCM Clients of the Defaulter that it determines to be appropriate in its sole discretion, which may include (i) as part of the SwapClear DMP, including an FCM SwapClear Contract in respect of FCM Client Business in an Auction Portfolio if determined to be appropriate by the Clearing House, **provided, that** the relevant Auction Portfolio does not include any type of positions of the defaulting FCM Clearing Member other than FCM SwapClear Contracts in respect of FCM Client Business, and/or (ii) as part of the ForexClear DMP, including an FCM ForexClear Contract in respect of FCM Client Business in an Auction Portfolio if determined to be appropriate by the Clearing House, **provided, that** the relevant Auction Portfolio does not include any type of positions of the defaulting FCM Clearing Member other than FCM ForexClear Contracts in respect of FCM Client Business. Risk Neutralisation in relation to such FCM SwapClear Contracts or ForexClear Contracts, as applicable, and the auction process in relation to an Auction Portfolio of such FCM SwapClear Contracts, or FCM ForexClear Contracts, as applicable, shall be conducted in accordance with the

*FCM Regulations*

provisions of the Rates Service DMP Annex or the ForexClear DMP Annex, respectively.

- (f) **Clearing Member Instructions.**
- (i) Subject to paragraph (ii) below, but otherwise notwithstanding anything to the contrary in the FCM Rulebook, in making any transfer of Porting Contracts and Porting Collateral pursuant to this FCM Regulation 13, the Clearing House shall be authorized and entitled to rely conclusively on the instructions of and information provided by the relevant FCM Clearing Member(s), which shall be solely responsible for all such instructions and information, including (A) ensuring that the transfer is properly authorized or rejected (as the case may be) and (B) the transfer is being made from the appropriate FCM Client Sub-Account or FCM Omnibus Futures Client Account with LCH, FCM Affiliate Omnibus Account or FCM Affiliate Individual Account, and that the appropriate account, FCM Contracts and Collateral has been identified, the Clearing House shall have no responsibility or liability therefor.
- (ii) The Clearing House shall verify that the Porting Contracts identified to it by the applicable FCM Clearing Member as being the subject of such a transfer correspond to FCM Contracts which, according to its records, are registered in the name of the Carrying Clearing Member on behalf of the relevant FCM Client or FCM Affiliate. In the event that the Clearing House identifies a discrepancy, it will notify the relevant FCM Clearing Member(s) and no transfer will occur pursuant to this FCM Regulation 13 until such time as the Porting Contracts identified to the Clearing House by the relevant FCM Clearing Member(s) can be verified by the Clearing House.
- (g) **Limitation on Assignment of Rights under an FCM Contract and Transfer of an FCM Contract.** Except as may be permitted by paragraph (d) above, expressly permitted by other parts of the FCM Rulebook or as may otherwise be expressly permitted by the Clearing House in writing, rights under an FCM Contract shall not be capable of assignment by an FCM Clearing Member. Any such purported assignment by an FCM Clearing Member, or any purported transfer that is not in compliance with the FCM Rulebook shall be void. The FCM Procedures shall specify the Products that can be transferred in accordance with this FCM Regulation 13 and the applicable forms or other requirements of the Clearing House in connection with such a transfer.
- (h) **Indemnity.** The Carrying Clearing Member agrees to indemnify the Clearing House in respect of all liabilities, costs, loss, fees, damages or expenses suffered or incurred by the Clearing House (howsoever arising or occurring) by reason of a proposed transfer being rejected by the Carrying Clearing Member other than pursuant to the grounds set out in the final paragraph of FCM Regulation 13(a).
- (i) **Transfer/Novation.** Transfers of Open FCM Contracts made pursuant to this FCM Regulation 13 shall occur by transfer/novation of such Open FCM Contracts rather than by closeout and rebooking of new FCM Contracts.
- (j) **Futures Products and Foreign Futures Products..** Transfers of FCM Contracts that are Futures Products or Foreign Futures Products made pursuant to FCM

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Regulation 13(d)(ii) or 13(d)(iv) shall only be permitted where: (i) the transferred FCM Contracts will be owned or beneficially owned by, as applicable, the same FCM Client or FCM Affiliate following the transfer; ~~or~~ (ii) an error has been made in the registration of an FCM Contract and the error is discovered and the transfer is completed within three Business Days (or any such longer period that the Clearing House may agree to in its sole discretion) after the submission of the corresponding particulars for registration, or (iii) the transfer is made in accordance with applicable Exchange Rules, provided, that, where relevant, the Exchange cooperates in effecting such transfer.

- (k) **Swaps Products.** Transfers of FCM Contracts that are Swaps Products (other than FCM SwapClear Contracts or FCM ForexClear Contracts) made pursuant to FCM Regulation 13(d)(ii) shall only be permitted where: (i) the transferred FCM Contracts will be beneficially owned by the same FCM Client following the transfer; (ii) an error has been made in the registration of an FCM Contract and the error is discovered and the transfer is completed within three Business Days (or any such longer period that the Clearing House may agree to in its sole discretion) after the submission of the corresponding FCM Transaction for registration or the allocation of the relevant FCM Contract; or (iii) the Clearing House otherwise approves the transfer in its sole discretion. Any transfers carried out in accordance with this FCM Regulation 13 are subject to the provisions of the FCM Procedures.



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**CHAPTER V COLLATERAL AND VALUATIONS**

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**REGULATION 14 MARGIN AND COLLATERAL**

- (a) The Clearing House may in accordance with the FCM Procedures require an FCM Clearing Member to furnish it with Margin, and to keep the Clearing House furnished with sufficient Margin at all times, in an amount determined by the Clearing House in accordance with these FCM Regulations and the FCM Procedures, as security for the performance by such FCM Clearing Member of its obligations to the Clearing House in respect of all FCM Contracts from time to time to be registered in its name as Open FCM Contracts pursuant to these FCM Regulations. The obligation upon an FCM Clearing Member to furnish Margin to the Clearing House pursuant to this paragraph shall be **in addition** to any other obligation of the FCM Clearing Member to furnish Margin or make any other payment to the Clearing House pursuant to these FCM Regulations. For the avoidance of doubt, margining requirements and policies may vary among each Business Category of FCM Contract and among each Product therein.
- (b) If insufficient monies are standing to the credit of an FCM Clearing Member's account, or if any Collateral deposited by an FCM Clearing Member as Margin is determined by the Clearing House in accordance with the FCM Procedures to be insufficient, such Margin as the Clearing House requires an FCM Clearing Member to furnish to it pursuant to paragraph (a) above or any other FCM Regulation shall be furnished by the FCM Clearing Member in such form and manner and by such time or times as may be prescribed by the FCM Procedures.
- (c) (i) The Clearing House shall be entitled to assume that all Collateral furnished by an FCM Clearing Member to the Clearing House pursuant to these FCM Regulations or under the terms of any agreement made with the FCM Clearing Member are the sole legal and beneficial property of the FCM Clearing Member or are furnished or deposited for the purposes of these FCM Regulations with the legal and beneficial owner's unconditional consent and with the authority granted to the FCM Clearing Member to repledge such property to the Clearing House. An FCM Clearing Member may not furnish Collateral to or with the Clearing House otherwise than in conformance with this paragraph. It shall be accepted by every person (including FCM Clients and FCM Affiliates) subject to or dealing on the terms of these FCM Regulations that an FCM Clearing Member has such person's unconditional consent to furnish to the Clearing House any securities or other assets of such person in the FCM Clearing Member's possession as Collateral for purposes of the FCM Rulebook.
- (ii) Each FCM Clearing Member represents and warrants to the Clearing House as at each date on which such FCM Clearing Member furnishes Collateral to the Clearing House pursuant to these FCM Regulations (A) that such FCM Clearing Member is the sole legal and beneficial owner of such Collateral or, as the case may be, such Collateral is so furnished or deposited with the legal and beneficial owner's unconditional consent and with the authority granted to the FCM Clearing Member to repledge such property to the Clearing House, and (B) that the provision to the Clearing House of such Collateral pursuant to

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these FCM Regulations will not constitute or result in a breach of any trust, agreement or undertaking whatsoever.

- (iii) The Clearing House may, in its absolute discretion and at any time, require an FCM Clearing Member to furnish other securities or assets to the Clearing House in substitution of any Collateral furnished to the Clearing House pursuant to this FCM Regulation 14.
- (d) Notwithstanding paragraph (c) above, the Clearing House shall be entitled at its absolute discretion, without assigning any reason and without prior notice to an FCM Clearing Member, to modify the amount of Initial Margin applicable to an FCM Contract or to call for larger or additional amounts of Margin for Initial Margin to be furnished to it by an FCM Clearing Member, either before registration of a contract or at any time after registration. Any Margin called by the Clearing House pursuant to this paragraph shall be furnished by the FCM Clearing Member on demand and in such form as the Clearing House may require.
- (e) The Clearing House shall be entitled at any time to demand immediate provision of Margin from an FCM Clearing Member in an amount deemed necessary by the Clearing House without reference to Official Quotations or Reference Prices in respect of any Open FCM Contract in the FCM Clearing Member's name, if, in the opinion of the Clearing House, the furnishing of such Margin by the FCM Clearing Member is necessary in the circumstances then prevailing which may be affecting or may in the Clearing House's opinion be likely to affect market conditions or the FCM Clearing Member's performance of its obligations under the terms of such FCM Contracts or under the terms of any original or confirmed contract to which the FCM Clearing Member is party. In this paragraph, "**immediate provision**" means payment, deposit or delivery to the Clearing House within one hour of demand.
- (f) The Clearing House shall be entitled to make an accommodation charge at a rate determined by the Clearing House and specified in the FCM Procedures, in respect of any security furnished to it as Collateral in a form prescribed by the FCM Procedures. Any alteration in the basis of calculating the rates of accommodation charge shall become effective in respect of all current and future business by the time specified in the FCM Procedures.
- (g) Without prejudice to the requirements of paragraph (c) above or any other applicable requirements contained in the FCM Rulebook, the Clearing House may at its absolute discretion accept Collateral in an agreed amount and in a form other than those specified in the FCM Procedures, subject always to the Clearing House's prior assessment as to the appropriateness of such form of Collateral in accordance with its standard risk management procedures, the requirements of Applicable Law and with any special arrangements which the Clearing House may prescribe in each case (including as to valuation and haircut). The Clearing House may at its discretion make an accommodation charge at a special rate.
- (h) If, in the sole discretion of the Clearing House, any Collateral which has been furnished to it by an FCM Clearing Member pursuant to these FCM Regulations is no longer either of sufficient value or otherwise acceptable to the Clearing House, the Clearing House shall be entitled to demand further provision of Collateral from such

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FCM Clearing Member. Such Collateral shall be furnished by such FCM Clearing Member on demand in a form prescribed by the FCM Procedures; **provided, that** at any time the Clearing House shall be entitled to require the FCM Clearing Member to furnish it with Collateral in a specified form and to demand that the FCM Clearing Member replace the whole or part of any Collateral furnished by an FCM Clearing Member pursuant to these FCM Regulations with Collateral in the form of cash.

- (i) Without prejudice to the requirements of paragraph (c) above or any other applicable requirements contained in the FCM Rulebook, and subject to FCM Regulation 15 and paragraph (h) above and the settlement of any other obligations of an FCM Clearing Member to the Clearing House, upon the close-out or termination of an FCM Contract in accordance with the FCM Rulebook, the Clearing House shall return all (or the applicable portion of) Initial Margin attributable to such FCM Contract to the respective FCM Clearing Member to the extent that such Initial Margin has become Excess Margin following the close-out or termination of the relevant FCM Contract, **provided, that** such FCM Clearing Member is not a Defaulter.
- (j) If the Clearing House takes any step under the Default Rules in relation to an FCM Clearing Member, any sum (including the price due to be paid by the Clearing House in respect of the delivery of any property or currency by or on behalf of the FCM Clearing Member) standing to the credit of any of the FCM Clearing Member's accounts shall be treated as Margin to the extent permitted by Applicable Law; **provided, that** notwithstanding any provision to the contrary in these FCM Regulations, under no circumstances will any Margin maintained in any FCM Omnibus Client Account with LCH be applied to satisfy proprietary obligations of the FCM Clearing Member (including, for the avoidance of doubt, any obligations in respect of its FCM Affiliate Business) or, except as may be required to comply with Applicable Law or any order or instruction of a Regulatory Body or court, any other obligations not related to such FCM Clearing Member's FCM Client Business in such Business Category of FCM Contract; **provided, however, that** where an FCM Client is in default with respect to the Margin required by the Clearing House in respect of its FCM Contracts, any Excess Margin attributable to such FCM Client in respect of any Business Category of FCM Contract may be applied to offset such FCM Client's Margin shortfall in respect of any other Business Category of FCM Contract).
- (k) Each FCM Clearing Member and, to the extent applicable, such FCM Clearing Member's guarantor in accordance with FCM Regulation 4, shall be obligated to perform all of its respective obligations (including to pay or deliver all amounts due) as required pursuant to the FCM Regulations and the Default Rules, as applicable. Each FCM Clearing Member and, to the extent applicable, such FCM Clearing Member's guarantor in accordance FCM Regulation 4, shall be entitled to the return of any amounts due to them (after all obligations to the Clearing House have been satisfied) pursuant to the FCM Regulations and the Default Rules, as applicable.
- (l) Unless the Clearing House otherwise agrees in writing, Collateral furnished to the Clearing House in the form of cash shall not be capable of assignment by any person. Any such purported assignment by an FCM Clearing Member (whether by way of security or otherwise) of Collateral in the form of cash shall be void. An FCM

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Clearing Member shall not otherwise encumber (or seek to encumber) any Collateral in the form of cash, except as provided under this FCM Regulation 14.

- (m) **Creation of Security Interest.** Each FCM Clearing Member hereby grants the Clearing House a first priority security interest in and a first priority and unencumbered first lien upon any and all Collateral, Margin, cash, securities, receivables, rights and intangibles and any other collateral or assets deposited with or transferred to the Clearing House, or otherwise held by the Clearing House (including all property deposited in or attributable to a Proprietary Account, an FCM Omnibus Client Account with LCH, an FCM Affiliate Account, an LCH Client Depository Account, or any amounts owing to an FCM Clearing Member or a Proprietary Account, but excluding any Settlement Payment), in each case to the extent transferred in accordance with the FCM Regulations, including all substitutions for and proceeds of, any such property, in connection with any FCM Contracts cleared for such FCM Clearing Member or its FCM Clients, or its FCM Affiliates, as security for unconditional payment and satisfaction of the obligations and liabilities of the FCM Clearing Member to the Clearing House under the FCM Rulebook, but excluding any property deposited in or transferred to the Clearing House in respect of an FCM Clearing Member's Contribution(s) to the default funds of the Clearing House.
- (n) The FCM Clearing Member agrees to take any and all actions, including but not limited to the execution of any and all documents, requested by the Clearing House in order to perfect, maintain or enforce the security interest granted to the Clearing House hereunder.
- (o) The Clearing House may exercise any and all rights available to it with respect to the security interest granted hereunder, in accordance with the FCM Regulations and Applicable Law.
- (p) Notwithstanding any other provision of this FCM Regulation 14(p), in no event shall the Clearing House's security interests in the property attributable to an FCM Clearing Member's FCM Omnibus Client Account with LCH be security for, or be exercised to satisfy, any obligations or liabilities of (i) such FCM Clearing Member other than in connection with obligations or liabilities relating to such FCM Clearing Member's FCM Omnibus Client Accounts with LCH or (ii) an FCM Client by application of Margin attributable to the FCM Client Sub-Account of a different FCM Client.
- (q) Provided that the Clearing House is not subject to the procedures of FCM Regulation 37 and is not otherwise insolvent, the Clearing House will, notwithstanding Section 9-207 of the New York Uniform Commercial Code, have the right to sell, pledge, rehypothecate, assign, invest, use or otherwise dispose of, or otherwise use in its business any cash Collateral it holds on behalf of an FCM Clearing Member with respect to such FCM Clearing Member's Proprietary Account and its FCM Affiliate Accounts, free from any claim or right of any nature whatsoever of the relevant FCM Clearing Member, including any equity or right of redemption by such FCM Clearing Member, subject only to any restrictions under Applicable Law (including bankruptcy law). Except to the extent otherwise specified for in the FCM Rulebook, the Clearing House shall retain any and all income, distributions, returns, profits or any other

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- monies received with respect to any such investments or use. For purposes of determining the amount of Collateral held pursuant to the FCM Rulebook by the Clearing House with respect to an FCM Clearing Member's Proprietary Account and its FCM Affiliate Accounts, the Clearing House will be deemed to continue to hold all such Collateral and to receive any distributions or proceeds therefrom, regardless of whether the Clearing House has exercised any rights with respect to the Collateral listed in the immediately preceding sentence.
- (r) The Clearing House will, notwithstanding Section 9-207 of the New York Uniform Commercial Code, have the right to maintain or otherwise handle Collateral held by the Clearing House on behalf of FCM Clients (including Collateral deposited in or attributable to an FCM Omnibus Client Account with LCH or any LCH Client Depository Account) in the manner provided in the FCM Rulebook, including investing such Collateral in accordance with FCM Regulations 7(n). Except to the extent otherwise provided for in the FCM Rulebook, the Clearing House shall retain any and all income, distributions, returns, profits or any other monies received with respect to any such investments or use.
- (s) Although each FCM Clearing Member and the Clearing House intend the payment of each Contribution by the FCM Clearing Member to the Clearing House to be an outright payment or transfer by the FCM Clearing Member to the Clearing House (subject to the Clearing House's obligation to repay Contributions pursuant to FCM Default Fund Agreement and/or the Default Fund Rules), in the event that any or all of a Contribution is deemed to be collateral posted to the Clearing House by the FCM Clearing Member (in which the FCM Clearing Member retains an ownership interest), then, notwithstanding clause (m) above, the FCM Clearing Member shall be deemed to have pledged to the Clearing House as security for unconditional payment and satisfaction of each and every obligation and liability of the FCM Clearing Member to the Clearing House under the FCM Rulebook, and the FCM Clearing Member shall be deemed to have granted the Clearing House a first priority security interest in, the amount of any Contribution that has been deemed to be collateral and any income thereon and other proceeds thereof, and the Clearing House shall have all of the rights of use in respect of such Contributions as referenced in FCM Regulation 14(q) and any other additional rights provided for under the FCM Rulebook.
- (t) Each FCM Clearing Member shall ensure that with respect to an FCM Client that it determines to have a "heightened risk profile" (as such term is used in Part 39 the CFTC Regulations), it shall collect or remain furnished with additional FCM Client Funds from the relevant FCM Client in an amount which shall be no less than the minimum percentage as required by the Clearing House and as notified to the relevant FCM Clearing Member from time to time, as further specified in the FCM Procedures.
- (u) Each FCM Clearing Member shall ensure that no FCM Client withdraws FCM Client Funds from an FCM Client Segregated Depository Account unless the "net liquidating value" (as such term is used in Part 39 of the CFTC Regulations) plus the FCM Client Funds attributable to such FCM Client remaining in such FCM Client Segregated Depository Account after such withdrawal is sufficient to meet the level of Required Margin, as calculated by the Clearing House in respect of all FCM Contracts entered into on behalf of that FCM Client. For the purposes of this

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paragraph, references to “FCM Client” shall include all FCM Clients for the same beneficial owner unless the FCM Clearing Member complies with the relevant conditions set out in CFTC Letter No. 19-17 of July 10, 2019.

(v) **Gross and Net Margining Requirements – FCM Client Positions.**

- (i) *Swap Products.* FCM Clients and FCM Contract positions established for FCM Clients in each Business Category of FCM Contract consisting of Swap Products shall be subject to gross margin requirements on all such positions within each such Business Category of FCM Contract, on an FCM Client by FCM Client basis. Each individual FCM Client’s position in any such single Business Category of FCM Contract shall be margined on a net basis, and such margining shall only be netted within that single Business Category of FCM Contract and shall *not* be netted across multiple Business Categories of FCM Contract where such FCM Client has positions in multiple Business Categories of FCM Contract. Each FCM Clearing Member shall require its FCM Clients to satisfy such requirements as applicable.
- (ii) *Futures Products.* FCM Clients and FCM Contract positions established for FCM Clients in each Business Category of FCM Contract consisting of Futures Products shall be subject to gross margin requirements on all such positions within each such Business Category of FCM Contract, on an FCM Client by FCM Client basis. Each individual FCM Client’s position in any such single Business Category of FCM Contract shall be margined on a net basis, and such margining shall only be netted within that single Business Category of FCM Contract and shall *not* be netted across multiple Business Categories of FCM Contract where such FCM Client has positions in multiple Business Categories of FCM Contract. Each FCM Clearing Member shall require its FCM Clients to satisfy such requirements as applicable. In relation to this FCM Regulation 14(v), each FCM Clearing Member which clears Futures Products on behalf of FCM Clients shall make reports pursuant to FCM Regulation 7(c).
- (iii) *Foreign Futures Products.* FCM Clients and FCM Contract positions established for FCM Clients in each Business Category of FCM Contract consisting of Foreign Futures Products shall be subject to gross margin requirements on all such positions within each such Business Category of FCM Contract, on an FCM Client by FCM Client basis. Each individual FCM Client’s position in any such single Business Category of FCM Contract shall be margined on a net basis, and such margining shall only be netted within that single Business Category of FCM Contract and shall not be netted across multiple Business Categories of FCM Contract where such FCM Client has positions in multiple Business Categories of FCM Contract. Each FCM Clearing Member shall require its FCM Clients to satisfy such requirements as applicable. In relation to this FCM Regulation 14(v), each FCM Clearing Member which clears Foreign Futures Products on behalf of FCM Clients shall make reports pursuant to FCM Regulation 7(ca).

(w) **Margining of Proprietary Accounts and FCM Affiliate Accounts.**

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- (i) *Proprietary Account.* FCM Contract positions established in an FCM Clearing Member's Proprietary Account shall be subject to net margin requirements with respect to the relevant Business Category of FCM Contract, such that an FCM Clearing Member shall be required to deposit a net margin amount with the Clearing House in connection with all of the FCM Contracts registered in the relevant Proprietary Account for the relevant Business Category of FCM Contract.
- (ii) *FCM Affiliate Omnibus Account.* All FCM Contract positions of all FCM Affiliates recorded in an FCM Affiliate Omnibus Account for a given Business Category of FCM Contract shall be subject to net margin requirements **provided, however**, that such margining shall only be netted within that single Business Category of FCM Contract and shall not be netted across multiple Business Categories of FCM Contract.
- (iii) *FCM Affiliate Individual Account.* All FCM Contract positions of a single FCM Affiliate recorded in an FCM Affiliate Individual Account for a given Business Category of FCM Contract shall be subject to net margin requirements **provided, however**, that such margining shall only be netted within that single Business Category of FCM Contract and shall not be netted across multiple Business Categories of FCM Contract.
- (x) **Required Margin Increase in an FCM Client Sub-Account.** Certain provisions regarding the satisfaction by FCM Clearing Members of their obligations with respect to increases in Required Margin applicable to an FCM Client Sub-Account under both the Without Client Excess Model and the With Client Excess Model are set forth in FCM Regulation 15(e) and FCM Regulation 15(f), respectively.
- (y) **Required Margin Increase in an FCM Omnibus Futures Client Account with LCH or FCM Omnibus Foreign Futures Client Account with LCH.** If the Required Margin applicable to the FCM Contracts registered to an FCM Omnibus Futures Client Account or an FCM Omnibus Foreign Futures Client Account with LCH is increased by the Clearing House and such increase cannot be immediately satisfied by Excess Margin in such FCM Omnibus Futures Client Account with LCH or an FCM Omnibus Foreign Futures Client Account with LCH, the obligation of the FCM Clearing Member to satisfy such deficit shall be discharged by:
- (i) the applicable FCM Clearing Member furnishing additional Margin to the Clearing House in respect of the applicable FCM Omnibus Futures Client Account with LCH or the applicable FCM Omnibus Foreign Futures Client Account with LCH; or
- (ii) if the obligation of the FCM Clearing Member to satisfy the deficit has not been fully discharged pursuant to clause (i) above, by other means (if any) available to the Clearing House in accordance with the FCM Rulebook.
- (z) **Required Margin Increase in a Proprietary Account or FCM Affiliate Account.** Where the amount of Required Margin applicable to the FCM Contracts of an FCM Clearing Member's Proprietary Account or any of its FCM Affiliate Accounts is increased by the Clearing House, the obligation of the applicable FCM Clearing

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Member to furnish additional Margin to the Clearing House to satisfy such increased Required Margin shall be discharged by:

- (i) if and to the extent that there is Excess Margin available in respect of such Proprietary Account or FCM Affiliate Account, deduction by the Clearing House of the Relevant Excess Margin Amount from such Excess Margin;
- (ii) the FCM Clearing Member furnishing additional Margin to the Clearing House in respect of such Proprietary Account or FCM Affiliate Account; or
- (iii) if the obligation of the FCM Clearing Member to satisfy the Required Margin has not been fully discharged pursuant to clauses (i) and (ii) above, by other means (if any) available to the Clearing House in accordance with the FCM Rulebook.

(aa) **Excess Margin in FCM Client Accounts.**

- (i) *Swap Products.* Certain provisions regarding Excess Margin in FCM Omnibus Swaps Client Accounts with LCH and the FCM Client Sub-Accounts therein (under both the Without Client Excess Model and the With Client Excess Model) are set forth in FCM Regulation 15.
- (ii) *Futures Products.* An FCM Clearing Member is permitted to maintain Excess Margin with the Clearing House in respect of its FCM Omnibus Futures Client Accounts with LCH. Excess Margin held in an FCM Omnibus Futures Client Account with LCH of an FCM Clearing Member shall be treated as belonging to the FCM Clients of the FCM Clearing Member to the extent such FCM Clients have FCM Contracts attributed to such FCM Omnibus Futures Client Account with LCH. An FCM Clearing Member may withdraw Excess Margin from an FCM Omnibus Futures Client Account with LCH subject to FCM Regulation 9(b) and Section 4.1.11 of the FCM Procedures (and in accordance with any other applicable provisions of the FCM Rulebook). Even where an FCM Clearing Member has not requested the return of its Excess Margin held in an FCM Omnibus Futures Client Account with LCH, the Clearing House may, in its discretion, elect at any time to return any such Excess Margin to the applicable FCM Clearing Member. Upon withdrawal or return of Excess Margin from an FCM Omnibus Futures Client Account with LCH, the treatment of any residual interest the FCM Clearing Member may have in such withdrawn collateral will be subject to and governed by FCM Regulation 7(l) and the relevant CFTC Regulations. For the avoidance of doubt, Excess Margin in an FCM Omnibus Futures Client Account with LCH shall not be applied to satisfy obligations of the relevant FCM Clearing Member in its proprietary capacity.
- (iii) *Foreign Futures Products.* An FCM Clearing Member is permitted to maintain Excess Margin with the Clearing House in respect of its FCM Omnibus Foreign Futures Client Accounts with LCH. Excess Margin held in an FCM Omnibus Foreign Futures Client Account with LCH of an FCM Clearing Member shall be treated as belonging to the FCM Clients of the FCM Clearing Member to the extent such FCM Clients have FCM Contracts attributed to such FCM Omnibus Foreign Futures Client Account with LCH.



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An FCM Clearing Member may withdraw Excess Margin from an FCM Omnibus Foreign Futures Client Account with LCH subject to FCM Regulation 9(b) and Section 4.1.11 of the FCM Procedures (and in accordance with any other applicable provisions of the FCM Rulebook). Even where an FCM Clearing Member has not requested the return of its Excess Margin held in an FCM Omnibus Foreign Futures Client Account with LCH, the Clearing House may, in its discretion, elect at any time to return any such Excess Margin to the applicable FCM Clearing Member. Upon withdrawal or return of Excess Margin from an FCM Omnibus Foreign Futures Client Account with LCH, the treatment of any residual interest the FCM Clearing Member may have in such withdrawn collateral will be subject to and governed by FCM Regulation 7(l) and the relevant CFTC Regulations. For the avoidance of doubt, Excess Margin in an FCM Omnibus Foreign Futures Client Account with LCH shall not be applied to satisfy obligations of the relevant FCM Clearing Member in its proprietary capacity.

- (bb) **Excess Margin in Proprietary Accounts and FCM Affiliate Accounts.** An FCM Clearing Member is permitted to maintain Excess Margin with the Clearing House in respect of its Proprietary Accounts and FCM Affiliate Accounts on a combined basis. In accordance with the FCM Procedures, an FCM Clearing Member that is not a Defaulter may request the return of any such Excess Margin and upon such request the Clearing House shall return such Excess Margin, except the Clearing House may determine not to return such Excess Margin (i) where an unsatisfied margin call or obligation of the FCM Clearing Member under the FCM Regulations or FCM Procedures is outstanding in respect of one or more of such FCM Clearing Member's FCM Omnibus Client Accounts with LCH, including in respect of any FCM Client Sub-Account therein, or (ii) to the extent the restriction under Section 4.1.11 of the FCM Procedures applies to Excess Margin in the form of non-cash Collateral. Even where an FCM Clearing Member has not requested the return of its Excess Margin held in a respect of its Proprietary Account and FCM Affiliate Accounts on a combined basis, the Clearing House may, in its discretion, elect at any time to return any such Excess Margin to the applicable FCM Clearing Member.
- (cc) **FCM Portfolio Margining Service.** The Clearing House shall provide the FCM Portfolio Margining Service subject to and in accordance with the terms of the FCM Procedures. The FCM Portfolio Margining Service may require the transfer of Futures Products ~~or Foreign Futures Products from an FCM Clearing Member's~~ (i) in respect of an FCM Client, from the relevant FCM Omnibus Futures Listed Interest Rates Portfolio Margining Client Account with LCH or FCM Omnibus Foreign Futures Client Account with LCH to such FCM Clearing Member's FCM to the relevant FCM Client Sub-Account of the FCM Omnibus SwapClear Client Account ~~of~~ with LCH, or (ii) in respect of an FCM Affiliate, from the relevant FCM Affiliate Individual Listed Interest Rates Account to the relevant Proprietary Account of such Nominated FCM Affiliate, in each case as set out in the FCM Procedures.

**REGULATION 22 FCM CONTRACTS SUBJECT TO DELIVERY NOTICE**

- (a) Without prejudice to the provisions of FCM Regulation 23, under an FCM Contract Subject to Delivery Notice or a Physically-Settled FCM Contract:
- (i) the Buyer shall be obliged to pay [hisits](#) buying price to the Clearing House as Seller in the manner and by the time prescribed by Exchange Rules or the FCM Procedures;
  - (ii) the Clearing House as Buyer shall be obliged to pay the Seller [hisits](#) selling price in the manner and by the time prescribed by FCM Regulation 3; and
  - (iii) subject to Exchange Rules or, where relevant, the FCM Procedures any compensation, adjusting payment, or other allowance payable by or to either the Buyer or Seller under the terms of the FCM Contract shall be paid to or by the Clearing House.
- (b) Every Delivery Notice and accompanying documents (except documents which, in accordance with Exchange Rules or, where relevant, the FCM Procedures a Buyer is obliged to take up and pay for) given by the Clearing House as Seller to a Buyer pursuant to FCM Regulation 20(c) shall for the purposes of these FCM Regulations be deemed to comply with Exchange Rules or, where relevant, the FCM Procedures unless the Buyer notifies the Clearing House, by 10:00 hours (London time) on the Business Day following the day on which the Delivery Notice and accompanying documents were given to [himit](#) by the Clearing House in accordance with Exchange Rules or the FCM Procedures, that the Delivery Notice and accompanying documents do not so comply, and the Clearing House shall be entitled after receiving such notice, promptly thereafter and notwithstanding that it may do so after 10:00 hours (London time) on such Business Day, to notify the Seller to it under the terms of an FCM Contract from whom it received such Delivery Notice and accompanying documents that such Delivery Notice and accompanying documents do not so comply.
- (c) Notwithstanding that FCM Contracts may have been settled otherwise under the FCM Rulebook and not pursuant to a Delivery Notice, a Seller may, with the consent of the Clearing House and by the time specified in the FCM Procedures, give the Clearing House a Delivery Notice in respect of any such FCM Contract so settled. Upon receipt of such Delivery Notice, the Clearing House shall (unless the FCM Procedures otherwise permit) effect on the FCM Clearing Member's behalf re-opening contracts (that is, a sale by the FCM Clearing Member to the Clearing House and a purchase by the FCM Clearing Member from the Clearing House of one Lot, each on the same terms (including delivery) as the settled FCM Contract except as to price) and register such re-opening contracts as FCM Contracts in the FCM Clearing Member's name, the re-opening contracts to be effected at a price determined by the Clearing House or the Exchange as prescribed by the FCM Procedures. The submission of a Delivery Notice in accordance with the FCM Procedures shall constitute confirmation of any such re-opening contracts and the Seller's Delivery Notice (or Buyer's as the case may be) shall be deemed to have been made pursuant to its sale (or purchase) under the respective re-opening contract.
- (d) Notwithstanding that an FCM Contract may have been settled otherwise under the FCM Rulebook and not pursuant to a Delivery Notice, the Clearing House may in

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accordance with the FCM Procedures give a Delivery Notice to a Buyer under FCM Regulation 20 as if the FCM Contract were still open and on so doing the Clearing House shall effect on the FCM Clearing Member's behalf re-opening contracts (defined as in paragraph (c) above and to be effected as there described) and register such re-opening contracts as FCM Contracts in the FCM Clearing Member's name. The receipt by the Buyer of such Delivery Notice shall constitute confirmation of the re-opening contract and shall be deemed to occur pursuant to the FCM Clearing Member's purchase under the respective re-opening contract.

- (e) In implementing this FCM Regulation 22, the Clearing House may effect and register such FCM Contracts in an FCM Clearing Member's name as it may deem necessary for the purposes hereof or as may be prescribed in the FCM Procedures and at a price determined by the Clearing House in accordance with the FCM Procedures.

*FCM Regulations***REGULATION 24 RESTRICTIONS ON CLEARING HOUSE'S OBLIGATIONS AND LIABILITY**

- (a) This FCM Regulation 24 shall apply to Physically-Settled FCM Contracts (including FCM Contracts Subject to Delivery Notice) and shall not apply to any Cash-Settled FCM Contracts or FCM Option Contracts.
- (b) The Clearing House (or any other member of the LCH Group) shall not be liable in respect of a claim made against it in respect of a Physically-Settled FCM Contract by an FCM Clearing Member concerning:
- (i) a Delivery Notice given by the Clearing House; or
  - (ii) any documents accompanying a Delivery Notice as required by Exchange Rules or the FCM Procedures; or
  - (iii) the performance by the Clearing House of its obligations under an FCM Contract to make delivery of a commodity or to pay the Price; or
  - (iv) any other dispute or matter arising under the terms of such FCM Exchange Contract;

unless the conditions set out in paragraphs (c), (d) and (e) below are satisfied.

- (c) The FCM Clearing Member shall (without prejudice to [his](#) taking any other steps which may be required of or open to [him](#) under the relevant Exchange Rules or the FCM Procedures, as applicable) give written notice and particulars of [his](#) claim to the Clearing House not later than 17:00 hours (London time) (such time to be of the essence) on the seventh Business Day following the day on which, in accordance with the relevant Exchange Rules or the FCM Procedures, as applicable, documents must be taken up and paid for by the Buyer (whether or not a Buyer fulfils such obligation), or if there are no such documents, not later than 17.00 hours (London time)(such time to be of the essence) on the seventh Business Day following the last day on which the Buyer, in accordance with the relevant Exchange Rules or the FCM Procedures, as applicable, must take delivery of the commodity (whether or not the Buyer fulfils such obligation).
- (d) Where the relevant Exchange Rules or the FCM Procedures, as applicable, provide for arbitration, the FCM Clearing Member shall refer all disputes referred to in paragraph (b) above in respect of the FCM Contract to arbitration under the relevant Exchange Rules or the FCM Procedures, as applicable, and shall give to the Clearing House notice of such referral and details of any award made.
- (e) The FCM Clearing Member shall promptly provide the Clearing House with such further particulars of its claim, as the Clearing House may from time to time require in writing.

**REGULATION 54 FCM LISTED INTEREST RATES NOVATION TRANSACTIONS**

- (a) Details of any FCM Listed Interest Rates Novation Transaction which is to be presented for registration must be presented in accordance with the FCM Procedures by or on behalf of the FCM Listed Interest Rates Clearing Member who is party to, or is providing clearing services to a party to, such FCM Listed Interest Rates Novation Transaction. For the avoidance of doubt, where the particulars of an FCM Listed Interest Rates Novation Transaction presented by or on behalf of an FCM Listed Interest Rates Clearing Member and received by the Clearing House identify, in accordance with the relevant Rates Exchange Rules or the FCM Procedures, that FCM Listed Interest Rates Clearing Member as buyer or seller, or as acting as clearing member for the buyer or seller, in respect of the FCM Listed Interest Rates Novation Transaction, the Clearing House will enter into an FCM Listed Interest Rates Contract with that FCM Listed Interest Rates Clearing Member in accordance with and subject to the provisions of the FCM Regulations and the FCM Procedures.
- (b) Without prejudice to the Clearing House's rights under FCM Regulation 52(f), the Clearing House shall register or reject the registration of an FCM Listed Interest Rates Novation Transaction presented for registration by or on behalf of an FCM Listed Interest Rates Clearing Member subject to, and in accordance with, these FCM Regulations, the FCM Procedures and all Applicable Law, where a condition of such registration is that the following requirements ("**FCM Listed Interest Rates Novation Transaction Eligibility Criteria**") are satisfied at the time when the particulars of such FCM Listed Interest Rates Novation Transaction are presented to the Clearing House and continue to be satisfied at all times thereafter up to and including the Registration Time (each such time, for the purposes of this FCM Regulation 54, the "**relevant times**"):
- (i) the product the subject of the FCM Listed Interest Rates Novation Transaction is, at the relevant times, an FCM Listed Interest Rate Eligible Product;
  - (ii) all necessary details as required by the Clearing House from time to time in respect of the FCM Listed Interest Rates Novation Transaction shall have been provided to the Clearing House or its approved agent in the form, and by the times, prescribed by the Clearing House from time to time. Such information must be complete, must not be corrupted and must be legible at the time of receipt by the Clearing House, or its relevant approved agent, as applicable;
  - (iii) the FCM Listed Interest Rates Clearing Eligible Product, which is the subject of the FCM Listed Interest Rates Novation Transaction, is not subject to any trading halts, suspension of dealings or any other action having equivalent effect;
  - (iv) at the relevant times, the FCM Listed Interest Rates Clearing Services for the relevant Rates Exchange has not been suspended or withdrawn, generally or in relation to the relevant FCM Listed Interest Rates Clearing Eligible Product or FCM Listed Interest Rates Member; and
  - (v) the FCM Listed Interest Rates Clearing Member has executed such other agreements or documents as may be required by the Clearing House from time

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to time in connection with the FCM Listed Interest Rates Clearing Service.

- (c) An FCM Listed Interest Rates Novation Transaction presented for registration to, and accepted by, the Clearing House shall be registered by the Clearing House as either two FCM Listed Interest Rates Contracts or as one Non-FCM Listed Interest Rates Contract and one FCM Listed Interest Rates Contract, one between the First Listed Interest Rates Clearing Member as the seller and the Clearing House as the buyer, and the other between the Clearing House as the seller and the Second Listed Interest Rates Clearing Member as the buyer (as the case may be). For the purposes of this paragraph (c):
- (i) **“First Listed Interest Rates Clearing Member”** is an FCM Listed Interest Rates Clearing Member or a Listed Interest Rates Clearing Member who was, before registration of the FCM Listed Interest Rates Contract or Non-FCM Listed Interest Rates Contract, as the case may be, party to the corresponding FCM Listed Interest Rates Novation Transaction or Listed Interest Rates Novation Transaction, respectively, as the seller; and
  - (ii) **“Second Listed Interest Rates Clearing Member”** is an FCM Listed Interest Rates Clearing Member (who may also be the same as the First FCM Listed Interest Rates Clearing Member) or Listed Interest Rates Clearing Member who was, before registration of the FCM Listed Interest Rates Contract or Non-FCM Listed Interest Rates Contract, as the case may be, party to the corresponding FCM Listed Interest Rates Novation Transaction or Listed Interest Rates Novation Transaction, respectively, as the buyer.
- (d) With effect from registration of an FCM Listed Interest Rates Novation Transaction as either two FCM Listed Interest Rates Contracts or one FCM Listed Interest Rates Contract and one Non-FCM Listed Interest Rates Contract, as the case may be, under paragraph (c):
- (i) the parties to the corresponding FCM Listed Interest Rates Novation Transaction shall be released and discharged from all rights and obligations thereunder which fall due for performance on or after the Registration Time;
  - (ii) each FCM Listed Interest Rates Contract registered under paragraph (c) shall be governed by the relevant FCM Listed Interest Rates Contract Terms applicable to that FCM Listed Interest Rates Contract;
  - (iii) subject always to sub-paragraph (ii) above, the First Listed Interest Rates Clearing Member shall have the same rights against, and owe the same obligations to, the Clearing House under the FCM Listed Interest Rates Contract or Non-FCM Listed Interest Rates Contract, as the case may be, to which it (or the party on whose behalf it is clearing) is a party as the seller had and owed in respect of its counterparty under the corresponding FCM Listed Interest Rates Novation Transaction; and
  - (iv) subject always to sub-paragraph (ii) above, the Second Listed Interest Rates Clearing Member shall have the same rights against, and owe the same

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obligations to the Clearing House under the FCM Listed Interest Rates Contract or Non-FCM Listed Interest Rates Contract, as the case may be, to which it (or the party on whose behalf it is clearing) is party as the buyer had and owed in respect of its counterparty under the corresponding FCM Listed Interest Rates Novation Transaction.

In sub-paragraphs (iii) and (iv) above, a reference to the “same” rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the corresponding FCM Listed Interest Rates Novation Transaction (it being assumed, for this purpose, that such FCM Listed Interest Rates Novation Transaction was a legal, valid, binding and enforceable obligation of the parties thereto), notwithstanding the change in the person entitled to them or obliged to perform them.

- (e) Every FCM Listed Interest Rates Novation Transaction presented for registration in the name of an FCM Listed Interest Rates Clearing Member in accordance with paragraph (c) above shall be confirmed by or on behalf of such FCM Listed Interest Rates Clearing Member, in such manner and form and by such times as are prescribed by the FCM Procedures or, where the Clearing House has so agreed with a Rates Exchange, as prescribed in the Rates Exchange Rules.
- (f) Notwithstanding paragraph (e) above, an FCM Listed Interest Rates Novation Transaction may, subject to the FCM Regulations and the FCM Procedures, be allocated by or on behalf of an FCM Listed Interest Rates Clearing Member to another FCM Listed Interest Rates Clearing Member or to a member of a Rates Exchange who is not an FCM Listed Interest Rates Clearing Member, and shall thus be confirmed pursuant to FCM Regulation 55(a) instead of paragraph (e) above.
- (g) If an FCM Listed Interest Rates Novation Transaction is not confirmed by or on behalf of an FCM Listed Interest Rates Clearing Member pursuant to paragraph (e) above, or is not allocated by or on behalf of such FCM Listed Interest Rates Clearing Member within the prescribed time pursuant to FCM Regulation 55, the Clearing House may in accordance with the FCM Procedures deem such contract as having been confirmed pursuant to paragraph (e) above.
- (h) Any changes to the prescribed methods, forms and times set out in the FCM Procedures in respect of presentation of particulars of FCM Listed Interest Rates Novation Transactions and confirmation of such FCM Listed Interest Rates Novation Transactions shall be made by the Clearing House only after consultation with the relevant Rates Exchange(s), save that the Clearing House may at its absolute discretion make such changes without such consultation where it deems it necessary in the circumstances then prevailing.
- (i) Confirmation of an FCM Listed Interest Rates Novation Transaction by or on behalf of an FCM Listed Interest Rates Clearing Member pursuant to this FCM Regulation or FCM Regulation 55 and the FCM Procedures shall be effective immediately (unless otherwise specified in the FCM Procedures) and shall constitute the consent of the FCM Listed Interest Rates Clearing Member to such contract being registered in [hisits](#) name in accordance with these FCM Regulations.

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- (j) If an FCM Listed Interest Rates Novation Transaction is revoked, avoided or otherwise declared invalid for any reason after particulars of it have been accepted by the Clearing House for registration that revocation, avoidance or invalidity shall not affect any FCM Listed Interest Rates Contract, unless otherwise determined by the Clearing House.
- (k) For the avoidance of doubt, any FCM Listed Interest Rates Novation Transaction of which details have been presented for registration as an FCM Listed Interest Rates Contract which is not so registered shall remain in effect or be terminated, as the case may be, according to any terms agreed between the parties thereto (directly or by virtue of their common participation in the Rates Exchange through or on which the transaction was executed or by which it was registered), but subject in all cases to the relevant Rates Exchange Rules, and the Clearing House (and each other member of the LCH Group and their respective officers, employees and agents) shall have no obligations or liability in relation thereto.



## REGULATION 55 ALLOCATION OF FCM LISTED INTEREST RATES NOVATION TRANSACTIONS

- (a) Any FCM Listed Interest Rates Clearing Member proposing to allocate an FCM Listed Interest Rates Novation Transaction to another FCM Listed Interest Rates Clearing Member or to a member of a Rates Exchange who is not an FCM Listed Interest Rates Clearing Member shall do so in such manner and form and by such time as may be prescribed by the FCM Procedures. Allocation of an FCM Listed Interest Rates Novation Transaction by or on behalf of an FCM Listed Interest Rates Clearing Member pursuant to the FCM Procedures shall constitute confirmation of the FCM Listed Interest Rates Novation Transaction by such FCM Listed Interest Rates Clearing Member.
- (b) Unless it is intended that an FCM Listed Interest Rates Novation Transaction be allocated in accordance with the FCM Procedures to another FCM Listed Interest Rates Clearing Member or to a member of a Rates Exchange who is not an FCM Listed Interest Rates Clearing Member, any FCM Listed Interest Rates Novation Transaction allocated to an FCM Listed Interest Rates Clearing Member or to a member of a Rates Exchange who is not an FCM Listed Interest Rates Clearing Member shall be confirmed or, where the FCM Procedures so prescribe, shall be deemed to have been confirmed to the Clearing House by or on behalf of such FCM Listed Interest Rates Clearing Member or, as the case may be, the FCM Listed Interest Rates Clearing Member who acts as the clearing member for such member of the Rates Exchange, in such manner and form and by such time as may be prescribed by the FCM Procedures. If such FCM Listed Interest Rates Novation Transaction is allocated on by or on behalf of such FCM Listed Interest Rates Clearing Member to another FCM Listed Interest Rates Clearing Member or to a member of a Rates Exchange who is not an FCM Listed Interest Rates Clearing Member, such act of allocation shall constitute confirmation of the FCM Listed Interest Rates Novation Transaction by such FCM Listed Interest Rates Clearing Member.
- (c) Where an FCM Listed Interest Rates Novation Transaction is allocated to an FCM Listed Interest Rates Clearing Member or to a member of a Rates Exchange who is not an FCM Listed Interest Rates Clearing Member pursuant to paragraph (a) or (b) above and the Clearing House does not receive confirmation of such FCM Listed Interest Rates Novation Transaction from that FCM Listed Interest Rates Clearing Member or the FCM Listed Interest Rates Clearing Member acting as clearing member for such member, as the case may be, within the relevant time prescribed by the FCM Procedures, the Clearing House shall, subject to FCM Regulation 52, register an FCM Listed Interest Rates Contract in the name of the FCM Listed Interest Rates Clearing Member who sought to allocate the FCM Listed Interest Rates Novation Transaction.
- (d) Notwithstanding paragraph (c) above, an FCM Listed Interest Rates Clearing Member may from time to time agree in writing with the Clearing House that he shall accept for registration in his name any FCM Listed Interest Rates Novation Transaction allocated to him in accordance with paragraphs (a) or (b) above and such FCM Listed Interest Rates Clearing Member shall be deemed to have confirmed such FCM Listed Interest Rates Novation Transaction in accordance with the FCM

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## Procedures.

- (e) Notwithstanding the provisions of the FCM Procedures, the Clearing House may, without assigning any reason, make any allocation of an FCM Listed Interest Rates Novation Transaction subject to any conditions stipulated by it.

**REGULATION 59 DELIVERY FAILURE**

- (a) Without prejudice to the Default Rules and the FCM Procedures, if an FCM Listed Interest Rates Clearing Member as seller fails to deliver securities or other instruments to the Clearing House under an FCM Listed Interest Rates Contract by the due time therefor, the Clearing House may issue directions, in accordance with the FCM Procedures, to the seller and to an FCM Listed Interest Rates Clearing Member or Listed Interest Rates Clearing Member as buyer under a corresponding FCM Listed Interest Rates Contract or Listed Interest Rates Contract, respectively, regarding the performance of such contracts and such directions shall be binding on such members.
- (b) The Clearing House shall be entitled to demand Collateral from an FCM Listed Interest Rates Clearing Member where it has failed to deliver instrument or pay the Price under an FCM Listed Interest Rates Contract by the due time therefor in such amounts and in such form as it may require in accordance with the FCM Procedures.
- (c) An FCM Listed Interest Rates Clearing Member who has failed to deliver securities or other instruments to the Clearing House under an FCM Listed Interest Rates Contract or to pay the Price shall indemnify the Clearing House in respect of all losses, costs, taxes and expenses suffered or incurred by the Clearing House in taking any steps under this FCM Regulation 59.
- (d) Without prejudice to the Default Rules, if a selling FCM Listed Interest Rates Clearing Member acts in such a manner (which could, without limit, include persistent failure to deliver securities to the Clearing House under FCM Listed Interest Rates Contracts (other than in circumstances where FCM Regulation 29 and/or FCM Regulation 30 apply)), and the Clearing House in its reasonable opinion determines that the reputation of the FCM Listed Interest Rates Clearing Service is being, or has been, undermined, the Clearing House shall be entitled to terminate, on written notice, either summarily or at the expiry of the period specified in the notice, the FCM Listed Interest Rate Clearing Member's ability to have FCM Listed Interest Rates Contracts registered in [hisits](#) name and to require [himit](#) to liquidate or transfer under FCM Regulation 13 open FCM Listed Interest Rates Contracts registered in [hisits](#) name.



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TRADE

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**Appendix II**  
FCM Procedures  
*Changed Pages*

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**FCM PROCEDURES OF  
LCH LIMITED**

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Except where the context otherwise requires, defined terms used herein have the meaning ascribed to them in the FCM Regulations or in other portions of the FCM Rulebook.

## 1. FCM CLEARING MEMBER STATUS

### 1.1 FCM Clearing Member Application Procedure

- (a) **Application Procedure:** An application for FCM Clearing Member status of the Clearing House must be made on the appropriate form which can be obtained from the Clearing House's Membership Department. Additional information (including legal documents) must be supplied where necessary and submitted to the Clearing House with the completed form.

Applicants approved by the Clearing House for FCM Clearing Member status (“**Approved Applicants**”) must, within three months of notification of their approval, fulfill all conditions attached to their approval. If an Approved Applicant does not fulfill all such conditions within these three months, the Clearing House may, at its sole discretion, consider the grant of approval to have lapsed and may notify the prospective FCM Clearing Member accordingly that they will be required to provide further information following which the application will be submitted for re-approval.

FCM Clearing Members have the right to apply for approval to clear one or more markets cleared by the Clearing House, subject to meeting the requirements of the Clearing House in respect of each such market. Please note that FCM Clearing Member status does not provide membership of the company LCH Limited or any right to a shareholding therein, nor does it provide the right to any shareholding in LCH Group Holdings Limited or any entitlement or right to participate in any way in LCH SA or the clearing services it offers. LCH SA has its own arrangements and admission criteria for Clearing Member status – see the LCH SA sections of the LCH website for further details.

- (b) **FCM Clearing Member status:** The terms and conditions binding on each FCM Clearing Member are set out in the FCM Rulebook (which includes these FCM Procedures), the FCM Clearing Membership Agreement, the FCM Default Management Process Agreement and the FCM Default Fund Agreement, each as amended from time to time. Two copies of the FCM Clearing Membership Agreement and the FCM Default Fund Agreement will be provided to the applicant who must sign both copies of each (but not date them) and return them to the Clearing House's Membership Department along with the application documentation.

The applicant must pay the stipulated application fee to the Clearing House. This fee must accompany the application for FCM Clearing Member status and is non-refundable.

If and when FCM Clearing Member status is granted, new FCM Clearing Members will receive a duly executed (and dated) copy of the FCM Clearing Membership Agreement and the FCM Default Fund Agreement together with the notification of acceptance and details of any condition(s) attached to FCM

further information on the retirement process, FCM Clearing Members should contact the Clearing House's Membership Department.

If an FCM Clearing Member has not been active on any exchange or market for a continuous period of three months, they will be asked to confirm that they intend to utilize their FCM Clearing Member status and, failing a satisfactory response, they will be asked to retire from FCM Clearing Member status.

FCM Clearing Members are required to notify promptly or pre-notify the Clearing House of any changes which may result in non-compliance with the FCM Clearing Member status criteria as stated in the FCM Regulations and these FCM Procedures.

### 1.3 Termination of FCM Clearing Member Status

1.3.1 In the event that an FCM Clearing Member wishes to retire from FCM Clearing Member status, it may do so by giving written notice to the Clearing House not less than three months ahead of the proposed termination date. By the close of business on the proposed termination date, the Retiring Member shall ensure that all FCM Contracts registered in the Retiring Member's name have been closed-out or transferred so as to ensure that there are no open FCM Contracts to which the Retiring Member is a party at the proposed termination date. Once all such FCM Contracts have been closed-out or transferred, such Retiring Member shall be entitled to request that the Clearing House releases and returns to it any cover held by the Clearing House for the purpose of collateralizing the Retiring Member's obligations. For further information on the retirement process, FCM Clearing Members should contact the Membership Department.

1.3.2 If an FCM Clearing Member has not been active on any exchange or market for a continuous period of three months, they will be asked to confirm that they intend to utilize their FCM Clearing Member status and failing a satisfactory response, they will be asked to retire from FCM Clearing Member status.

### 1.4 Net Capital

#### 1.4.1 *Net Capital Requirements*

FCM Clearing Members are required to maintain a minimum level of net capital as set out in the FCM Regulations.

#### 1.4.2 *Additional Net Capital Requirements*

Additional resources will be required when, in the Clearing House's assessment, an FCM Clearing Member's Net Capital is not commensurate with its level of business.

The Clearing House shall, on a daily basis, compare the market risk associated with each FCM Clearing Member's level of business with their level of net capital as reported to the Clearing House in order to ascertain whether, in the Clearing House's opinion, such FCM Clearing Member is sufficiently capitalized to support the level of risk associated with the FCM Contracts to which they are counterparty. In determining whether an FCM Clearing Member is sufficiently capitalized, the Clearing House may also consider:

- (a) the ratio of FCM Contracts entered into on behalf of an FCM Client compared to those entered for its own Proprietary Account and its FCM Affiliate Accounts;
- (b) the FCM Clearing Member's aggregate exposure to other clearing providers and other entities; and
- (c) the total amount of Margin and Collateral deposited with, transferred to or otherwise delivered to the Clearing House by the FCM Clearing Member.

In the event that the Clearing House considers that the FCM Clearing Member is not sufficiently capitalized to support the level of risk associated with its open FCM Contracts, the Clearing House may perform one or more of the following:

- (a) require that the relevant FCM Clearing Member furnish the Clearing House with additional collateral; or
- (b) prevent or limit the extent to which an FCM Clearing Member may register additional FCM Contracts; or
- (c) require that the FCM Clearing member provide the Clearing House with additional information relating to its exposure to other clearing providers or other entities.

## 1.5 Calculation Of Net Capital

The net capital of FCM Clearing Members is calculated by the Clearing House in accordance with CFTC Regulation 1.17.

## 1.6 Reporting

FCM Clearing Members shall provide the information detailed below.

- (a) All FCM Clearing Members must, within six months from the date on which their annual accounts are made up, provide the Clearing House with an English-language copy of their income statement (or profit and loss statement) and balance sheet, together with a statement that their auditors have reviewed and approved them, in accordance with Applicable Law in the relevant jurisdiction, drawn up in accordance with the requirements of CFTC Regulation 1.16 or otherwise in accordance with the requirements of the Clearing House. In addition, the Clearing



## 1.9 Other Conditions

### 1.9.1 Singaporean Clients

FCM Clearing Members are required to provide a copy of the 'Notice to Singapore Clearing Clients' to FCM Clients incorporated in or operating through a branch in Singapore. The 'Notice to Singapore Clearing Clients' is available from the Clearing House on request.

### 1.9.2 Restrictions on Japanese FCM Clients

- (a) FCM Clearing Members shall not permit FCM Clients incorporated or domiciled in Japan ("**Japanese FCM Clients**") to participate in the Portfolio Margining Service.
- (b) FCM Clearing Members shall not clear Yen-denominated FCM SwapClear Transactions on behalf of Japanese FCM Clients.
- (c) FCM Clearing Members shall not clear FCM ForexClear Transactions, except FCM ForexClear NDF Transactions, on behalf of Japanese Clearing Clients.

## 1.10 Prescribed Terms

Pursuant to FCM Regulation 7 the Clearing House may prescribe certain provisions that an FCM Clearing Member must include in its agreement with an FCM Client [and pursuant to FCM Regulation 8 the Clearing House may prescribe certain provisions that an FCM Clearing Member must include in its agreement with an FCM Affiliate.](#)

Where an FCM Clearing Member provides FCM Clearing Services to an FCM Client that is a registered investment company, as defined in the Investment Company Act of 1940, it shall include provisions in its agreement with that FCM Client to the following effect:

- (a) the FCM Clearing Member shall comply with Applicable Law relating to the segregation of FCM Client Funds, including Part 22 of the CFTC Regulations;
- (b) FCM Client Funds delivered by the FCM Client shall be held in accordance with the CEA and the CFTC Regulations, and the FCM Clearing Member shall obtain an acknowledgement, to the extent required by Parts 1.20 and 22 of the CFTC Regulations, that those FCM Client Funds are being held in accordance with the CEA and the CFTC Regulations;
- (c) the FCM Clearing Member will promptly furnish copies of or extracts from its records or such other information pertaining to the FCM Client's assets as the Securities Exchange Commission, through its employees or agents, may request;
- (d) any gains on FCM Contracts held on behalf of an FCM Client (other than de minimus amounts) may be maintained by the FCM Clearing Member only until the next Business Day following receipt; and

- (e) the FCM Client has the ability to withdraw its assets from the FCM Clearing Member as soon as reasonably practicable if the FCM Clearing Member's or the Clearing House's custody of FCM Client Funds no longer meets the requirements of Rule 17f-6 under the Investment Company Act of 1940.

## 2. PRODUCT-SPECIFIC PROCEDURES

Section 2 of these FCM Procedures contains certain requirements and procedures that are specific to individual Products cleared by the Clearing House. The clearing of FCM SwapClear Contracts is discussed in Section 2.1, the clearing of FCM ForexClear Contracts is discussed in Section 2.2 and the clearing of FCM Listed Interest Rates Contracts is discussed in Section 2.3.

The use of words such as “margin”, “margin account”, “margin call” and “margin run”, which are used to reflect terminology commonly used by the Clearing House, shall not be deemed to affect the intent of the Clearing House, any FCM Clearing Member or any FCM Client as to the legal characterization of transfers of Settlement Payments, Variation Settlement, Price Alignment Amount, daily settlement amounts or other similar amounts.

### 2.1 SWAPCLEAR

#### 2.1.1 *The Clearing Process*

The FCM SwapClear Service is an interface that processes and stores all FCM SwapClear Transactions received from an FCM Approved Trade Source System.

##### (a) *FCM SwapClear Service Functions*

The following functions are performed within the FCM SwapClear Service:

- (i) processing and settlement of coupon payments;
- (ii) processing and settlement of consideration (fee) payments;
- (iii) calculation of initial margin and Variation Settlement requirements;
- (iv) calculation of SwapClear Tolerance Limits;
- (v) calculation of Price Alignment Amount;
- (vi) adjustment of cash payments to conform with opening days and the SwapClear calendars;
- (vii) allocation and designation of trades to a position-keeping account; and
- (viii) reporting of registered trades.

FCM SwapClear Transactions presented to the Clearing House for clearing via an FCM Approved Trade Source System will (subject to all requirements prescribed by the Clearing House being met) be cleared by the FCM SwapClear clearing system to create two FCM SwapClear Contracts (or one FCM SwapClear Contract and one

### 2.1.21 ***Tax Forms***

The Clearing House and each FCM Clearing Member shall provide to the other party (i) any form or document specified in the given FCM Contract and (ii) any form, document, statement or certification (including, in the case of the Clearing House, an Internal Revenue Service Form W-8BEN) reasonably requested in writing to permit the Clearing House or FCM Clearing Member, as applicable, to make any payment under the Clearing House's rules or any FCM Contract without withholding for any tax, levy or charge. The foregoing requirement shall not apply in the event the Clearing House or FCM Clearing Member is not permitted to deliver such form, document, statement or certification under Applicable Law (including any double-tax treaty).

### 2.1.22 ***Withholding Taxes***

In the event an FCM Clearing Member is required under Applicable Law to withhold an amount in respect of any tax, levy or charge from any payment made to the Clearing House, (i) such amount payable shall be increased such that the Clearing House receives an amount equal to that it would have received had such withholding not been required under Applicable Law and (ii) the FCM Clearing Member shall provide the Clearing House the relevant tax certificates (or similar form) confirming the payment of such withholding.

The Clearing House shall provide reasonable cooperation to the given FCM Clearing Member to ensure that payments made to the Clearing House may be made without deduction or withholding in respect of any tax, levy or charge

### 2.1.23 ***Sales Tax; Value Added Tax***

All fees and other payments payable under the Clearing House's rules are exclusive of sales tax, purchase or turnover tax, levies, duties and their equivalent in each jurisdiction, which, if applicable, shall be payable by FCM Clearing Members at the applicable rate in force at the given time.

### 2.1.24 ***[Reserved.]***

### 2.1.25 ***FCM Portfolio Margining Service***

#### (a) ***Introduction***

The Clearing House offers ~~FCM Clients of FCM Clearing Members~~ an optional service ("FCM Portfolio Margining Service") that provides portfolio-margining functionality in respect of pairs of accounts that are held in the FCM ~~SwapClear Clearing Service and FCM~~ Listed Interest Rates Clearing ~~Services~~ Service, on the one hand, and either the FCM SwapClear Clearing Service or the SwapClear Clearing Service, on the other, by transferring FCM Portfolio Margining Eligible FCM Listed Interest Rates Contracts between accounts in each Service (such transferred FCM Portfolio Margining Eligible FCM

Listed Interest Rates Contracts, “**FCM Portfolio Margined Contracts**”).

The availability of the FCM Portfolio Margining Service may vary by Rates Exchange. The Clearing House publishing a list of the Rates Exchange(s) for which the FCM Portfolio Margining Service is available, as well as a list of the FCM ~~Portfolio~~Portfolio Margining Eligible FCM Listed Interest Rates Contracts at such Rate Exchange(s), on its website from time to time.

An FCM ~~Joint Rates Service~~ Clearing Member must opt-in to the FCM Portfolio Margining Service in accordance with the procedure set out in paragraph 2.1.25(b) below and meet the FCM Portfolio Margining Eligibility Criteria (as defined below) in order to benefit from the portfolio-margining functionality provided by the service. However, it should be noted that, regardless of whether or not an FCM ~~Joint Rates Service~~ Clearing Member opts in, the FCM SwapClear Clearing Service and the FCM Listed Interest Rates Clearing Services share a common default fund. Accordingly, the risk profile of participating in either one of such Services may be impacted by other FCM Clearing Members participating in the other such Service. In particular, the resources of an FCM Clearing Member that is a member of the FCM SwapClear Clearing Service and the FCM Listed Interest Rates Clearing Services will be made available to cover the Clearing House’s losses in a different manner to those of an FCM Clearing Member that is only a member of one of those Services, regardless of whether that FCM Clearing Member opts-in to the FCM Portfolio Margining Service. FCM Clearing Members should therefore familiarise themselves with the provisions of the FCM Rulebook and the Default Rules.

(b) *Opt-In Procedure*

- (i) FCM Clearing Member Status – Opt In. An FCM ~~Joint Rates Service~~ Clearing Member wishing to opt-in to the FCM Portfolio Margining Service in respect of one or more FCM Clients (each, a “**Nominated FCM Client**”) and/or one or more FCM Affiliates (each, a “Nominated FCM Affiliate”) must submit a ~~written~~ request to the Clearing House, ~~using in the appropriate form which can be obtained from~~ using in the manner required by the Clearing ~~House's Membership team~~ House (an “**FCM Portfolio Margining Request**”). For the avoidance of doubt, the applicant FCM ~~Joint Rates Service~~ Clearing Member must submit a further FCM Portfolio Margining Request when it wishes the FCM Portfolio Margining Service to apply in respect of additional Nominated FCM Clients and/or Nominated FCM Affiliates.
- (ii) Assessment of the FCM Portfolio Margining Request. Upon receipt of an FCM Portfolio Margining Request, the Clearing House will assess whether the eligibility criteria set out at

paragraph 2.1.25(c) below (the “**FCM Portfolio Margining Eligibility Criteria**”) are met. The [applicant](#) FCM ~~Joint-Rates-Service~~-Clearing Member will provide such information to the Clearing House as the Clearing House may, in its absolute discretion, request, including such information as is required to enable the Clearing House to make the necessary assessments in respect of an FCM Portfolio Margining Request.

- (iii) Activation of the FCM Portfolio Margining Service. Following a determination by the Clearing House that the FCM Portfolio Margining Eligibility Criteria are met, the Clearing House shall:
  - (A) notify the [applicant](#) FCM ~~Joint-Rates-Service~~-Clearing Member; and
  - (B) activate the FCM Portfolio Margining Arrangements described in paragraph 2.1.25(d) below in respect of the Nominated FCM Clients.

The Clearing House will endeavour to activate the FCM Portfolio Margining Arrangements within five business days following the determination by the Clearing House that the FCM Portfolio Margining Eligibility Criteria are met, but owes no duty or obligation to the [applicant](#) FCM Clearing Member to do so.

Furthermore, notwithstanding the foregoing, the Clearing House may, in its sole discretion, refuse to provide the FCM Portfolio Margining Service (i) to an [applicant](#) FCM ~~Joint-Rates-Service~~-Clearing Member or (ii) in respect of one or more Nominated FCM Clients [or Nominated FCM Affiliates](#) where it considers it appropriate to do so.

- (iv) Opt-Out Procedure. In the event that an FCM Clearing Member wishes to terminate the FCM Portfolio Margining Service in respect of one or more Nominated FCM Clients [and/or Nominated FCM Affiliates](#), it may do so by giving written notice to the Clearing House. The FCM Clearing Member shall identify clearly the Nominated FCM Client(s) and/or Nominated FCM Affiliate(s) to which the termination is intended to apply. The termination shall become effective on the date on which the Clearing House confirms to the relevant FCM Clearing Member that the FCM Portfolio Margining Service has been terminated in respect of the relevant Nominated FCM Client(s) [and/or Nominated FCM Affiliate\(s\)](#). In this regard, the Clearing House will endeavour to terminate the FCM Portfolio Margining Arrangements within five business days following receipt of written notice from the FCM

Clearing Member, but owes no duty or obligation to the relevant FCM Clearing Member to do so.

In order to prevent abuse of the FCM Portfolio Margining Service, following the termination of the FCM Portfolio Margining Service in respect of ~~an~~ a Nominated FCM Client or a Nominated FCM Affiliate, an FCM Clearing Member will not be entitled to submit an FCM Portfolio Margining Request in respect of the same Nominated FCM Client or Nominated FCM Affiliate for a period of 30 calendar days following termination of the FCM Portfolio Margining Service in respect of such Nominated FCM Client or Nominated FCM Affiliate.

(c) *FCM Portfolio Margining Eligibility Criteria*

- (i) Eligible FCM Clearing Members. For an FCM Clearing Member to offer the FCM Portfolio Margining Service to its FCM Clients, the FCM Clearing Member must be an FCM Joint Rates Service Clearing Member and must have an FCM Omnibus Listed Interest Rates Portfolio Margining Client Account with LCH. For an FCM Clearing Member to offer FCM Portfolio Margining Service to its FCM Clients, it must be approved to participate in ~~both the FCM SwapClear Clearing Service and the FCM Listed Interest Rates Clearing Services~~ Service.
- (ii) Eligible FCM Clients and Eligible FCM Affiliates. In order to be eligible for the FCM Portfolio Margining Service: (i) a Nominated FCM Client must receive FCM SwapClear Clearing Services and FCM Listed Interest Rates Clearing Services from the same FCM Clearing Member; and (ii) a Nominated FCM Affiliate must be a PM Eligible SCM whose FCM Listed Interest Rates Contracts are recorded to an FCM Affiliate Individual Listed Interest Rates Account of the FCM Listed Interest Rates Clearing Member to which it is affiliated.
- (iii) FCM Client and FCM Affiliate Consent. The applicant ~~FCM Joint Rates Service~~ Clearing Member must confirm to the Clearing House (in the form of a written representation) that: (i) each Nominated FCM Client has provided its informed consent to the operation of the FCM Portfolio Margining Service in respect of its positions in FCM SwapClear Contracts and FCM Portfolio Margining Eligible FCM Listed Interest Rates Contracts; and (ii) each Nominated FCM Affiliate has provided its informed consent to the operation of the FCM Portfolio Margining Service in respect of its positions in SwapClear Contracts and FCM Portfolio Margining Eligible FCM Listed Interest Rates Contracts.
- (iv) Recent Termination. FCM Portfolio Margining Arrangements in respect of the Nominated FCM Client or Nominated FCM

Affiliate, [as relevant](#), have not, in the last 30 calendar days, been terminated in accordance with paragraph 2.1.25(b)(iv) above.

- (v) Restrictions. For the avoidance of doubt, it is not possible to apply the FCM Portfolio Margining Service:
  - (A) to Nominated FCM Clients [or Nominated FCM Affiliates](#) that are not the same legal entity ~~(e.g., to affiliated Nominated FCM Clients)~~; or
  - (B) between any positions recorded in (i) an [applicant](#) FCM ~~Joint Rates Service~~ Clearing Member's Proprietary Account and (ii) any FCM Affiliate Account or any FCM Omnibus Client Account with LCH of such [applicant](#) FCM Clearing Member.

(d) *FCM Portfolio Margining Arrangements*

- (i) FCM Portfolio Margining Calculation Tool. The Clearing House has developed a risk management tool that identifies portfolio-margining opportunities as between: [\(i\) FCM SwapClear Contracts and FCM Portfolio Margining Eligible FCM Listed Interest Rates Contracts held on behalf of the same Nominated FCM Client; and \(ii\) SwapClear Contracts and FCM Portfolio Margining Eligible FCM Listed Interest Rates Contracts held on behalf of the same Nominated FCM Affiliate](#) (“**Portfolio Margining Calculation Tool**”). FCM ~~Joint Rates Service~~ Clearing Members participating in the FCM Portfolio Margining Service will receive certain information in relation to the operation of the FCM Portfolio Margining Service, as described in more detail in paragraph 2.1.25(e) below.

A list of FCM Portfolio Margining Eligible FCM Listed Interest Rates Contracts is published on the Clearing House's website from time to time.

- (ii) FCM Portfolio Margining Process.
  - (A) At a predetermined time following the close of the FCM Listed Interest Rates Clearing Services on each business day, the Clearing House will run the FCM Portfolio Margining Calculation Tool. The FCM Portfolio Margining Calculation Tool will identify: [\(i\)](#) in respect of each Nominated FCM Client, any off-setting positions between FCM SwapClear Contracts and FCM Portfolio Margining Eligible FCM Listed Interest Rates Contracts, including any FCM Portfolio Margining Eligible FCM Listed Interest Rates Contracts that are FCM Portfolio Margined Contracts (the “**Identified Off-Setting FCM Listed**



**Interest Rates Contracts”); and (ii) in respect of each Nominated FCM Affiliate, any off-setting positions between SwapClear Contracts and Identified Off-Setting FCM Listed Interest Rates Contracts.**

- (B) The Clearing House will make reasonable efforts to notify the FCM Clearing Members participating in the FCM Portfolio Margining Service of any interruptions to the availability of the FCM Portfolio Margining Calculation Tool on a given business day, **provided that** the Clearing House is, or reasonably ought to be, aware of any such interruptions prior to the operation of the FCM Portfolio Margining Calculation Tool on such business day.
- (C) The FCM Portfolio Margining Calculation Tool is a risk management tool that is not designed to provide FCM ~~Joint Rates Service~~ Clearing Members participating in the FCM Portfolio Margining Service with optimal margining treatment or reduce margin calls. Accordingly, the Clearing House makes no representations or assurances as to the impact of the FCM Portfolio Margining Calculation Tool on a participating FCM Clearing Member’s margin calls, nor does the Clearing House make any representation or assurance as to the availability or operation of the FCM Portfolio Margining Calculation Tool.
- (D) The Clearing House accepts no liability in respect of the provision, availability, or operation of the FCM Portfolio Margining Service of the FCM Portfolio Margining Calculation Tool. The provision, availability, and operation of the FCM Portfolio Margining Calculation Tool is subject to FCM Regulation 44.
- (iii) Transfer of Identified Off-Setting FCM Listed Interest Rates Contracts. Once identified in accordance with subparagraph (d)(ii)(A) above:
- (A) any Identified Off-Setting FCM Listed Interest Rates Contracts that are not FCM Portfolio Margined Contracts will be transferred: (i) in respect of a Nominated FCM Client, from the relevant FCM Omnibus Listed Interest Rates Portfolio Margining Client Account with LCH to the relevant FCM Client Sub-Account of the FCM Omnibus SwapClear Client Account with LCH or (ii) in respect of a Nominated FCM Affiliate, from the relevant FCM Affiliate Individual Listed Interest Rates Account to the relevant Proprietary Account of such Nominated FCM

Affiliate, at which point they will become FCM Portfolio Margined Contracts;

- (B) any FCM Portfolio Margined Contracts that are not identified as Identified Off-Setting FCM Listed Interest Rates Contracts as part of the relevant cycle, will be transferred : (i) in respect of a Nominated FCM Client, from the relevant FCM Client Sub-Account of the FCM Omnibus SwapClear Client Account with LCH to the relevant FCM Omnibus Listed Interest Rates Portfolio Margining Client Account with LCH, or (ii) in respect of a Nominated FCM Affiliate, from the relevant Proprietary Account of such Nominated FCM Affiliate to the relevant FCM Affiliate Individual Listed Interest Rates Account, at which point they will cease to be FCM Portfolio Margined Contracts; and
  - (C) the Clearing House's records will evidence the time of the transfers referred to in (A) and (B) above.
- (iv) Treatment of FCM Portfolio Margined Contracts ~~in the FCM Client Sub-Account of the FCM Omnibus SwapClear Client Account with LCH.~~
- (A) FCM Portfolio Margined Contracts in respect of a Nominated FCM Client shall be treated as FCM SwapClear Contracts and shall, for the avoidance of doubt, be treated as part of the Cleared Swaps Account Class for purposes of Part 190 of the CFTC Regulations and Section 4d(f) of the CEA. For all other purposes, FCM Portfolio Margined Contracts in respect of a Nominated FCM Client will be treated as FCM Listed Interest Rates Contracts.
  - (B) ~~(B)~~ FCM Portfolio Margined Contracts in respect of a Nominated FCM ~~Client~~ or as Affiliate shall be Listed Interest Rates Contracts ~~(in respect of a Nominated FCM Affiliate).~~
  - (C) ~~(B)~~ For the avoidance of doubt, FCM Portfolio Margined Contracts are not eligible for compression runs.
  - (D) ~~(C)~~ For so long as an FCM Listed Interest Rates Contract is an FCM Portfolio Margined Contract, any lifecycle events in connection with such FCM Portfolio Margined Contract, including trade transfer, position transfer and give-ups, shall be suspended.
  - (E) ~~(D)~~ FCM Portfolio Margined Contracts and associated offsetting FCM SwapClear Contracts (in respect of a

Nominated FCM Client) or offsetting SwapClear Contracts (in respect of a Nominated FCM Affiliate) are not eligible for transfer. An FCM Clearing Member that wishes to transfer an FCM Portfolio Margined Contract and associated off-setting FCM SwapClear Contract (in respect of a Nominated FCM Client) or offsetting SwapClear Contract (in respect of a Nominated FCM Affiliate) must reverse the FCM Portfolio Margining Process for such Contracts prior to, and as a precondition to, the transfer of such Contracts.

(F) A Nominated FCM Affiliate with FCM Portfolio Margined Contracts in its Proprietary Account must, in the event that its nominating FCM Clearing Member is a Defaulter, liquidate such FCM Portfolio Margined Contracts in the manner and within the timeframe required by the Clearing House. Failure to comply with the Clearing House's instructions in such circumstances shall constitute a failure by the Nominated FCM Affiliate to perform its obligations as a SwapClear Clearing Member.

(e) *Portfolio Margining Reports*

The Clearing House will provide each FCM ~~Joint Rates Service~~ Clearing Member participating in the FCM Portfolio Margining Service details of the transfers described in paragraph 2.1.25(d)(iii) above once each business day.

2.1.26 ***Rate Change Notices***

(a) Pursuant to FCM Regulation 48B, from time to time the Clearing House may, in connection with the transition from interbank offered rates to alternative, overnight risk-free rates, amend the floating rate and calculation of the floating amounts under any FCM SwapClear Contract, regardless of any fallbacks that may otherwise apply in relation to the floating rate or calculation of the floating amount pursuant to the FCM SwapClear Contract Terms of such FCM SwapClear Contract. In order to specify the detailed terms of, and give effect to any particular exercise of the foregoing, the Clearing House shall deliver, via one or more member circulars, a Rate Change Notice to all FCM SwapClear Clearing Members.

(b) **The General Terms of a Rate Change Notice:**

(i) The terms of a Rate Change Notice shall apply to all open FCM SwapClear Contracts that (i) designate the In-Scope Floating Rate Option specified in that Rate Change Notice as the floating rate or use that In-Scope Floating Rate Option to calculate the floating amount thereunder and (ii) are registered with the Clearing House as of the time on the Conversion Cut-Off Date specified in the relevant Rate

## 2.3 LISTED INTEREST RATES

### 2.3.1 *Introduction*

#### (a) *Background*

These FCM Procedures apply to the clearing of FCM Listed Interest Rate Eligible Products listed for trading on Rates Exchanges, and form part of the FCM Rulebook and must be read in conjunction with the other parts of the FCM Rulebook.

FCM Listed Interest Rates Clearing Members must inform themselves fully of their obligations under the FCM Rulebook and other relevant documentation, such as the FCM Clearing Membership Agreement and the terms of any approval by the Clearing House to extend clearing activities. FCM Listed Interest Rates Clearing Members should also familiarise themselves with the relevant Rates Exchange Rules and the FCM Listed Interest Rates Contract Terms.

The FCM Rulebook (including these FCM Procedures) and the FCM Listed Interest Rates Contract Terms are subject to change from time to time. Enquiries regarding these FCM Procedures or any other aspects of the operation of the FCM Listed Interest Rates Clearing Service should be directed to the Listed Rates Clearing House Client Services Department on +44 7426 7651 or [ratesclientservices@lch.com](mailto:ratesclientservices@lch.com). Enquiries regarding FCM Listed Interest Rates Clearing Member status should be directed to the Onboarding Department on +44 (0) 20 7426 7949 or [onboarding@lch.com](mailto:onboarding@lch.com).

In the event of any conflict between any provision of these FCM Procedures and any requirement or provision of any third party (including but not limited to any requirement or provision in any Rates Exchange Rules), these FCM Procedures shall prevail.

Enquiries relating to: (i) trading FCM Listed Interest Rates Contracts; (ii) Rates Exchange Rules; or (iii) the FCM Listed Interest Rates Contract Terms of any FCM Listed Interest Rates Contract other than a Designated FCM Listed Interest Rates Contract should be directed to the relevant Rates Exchange. Enquiries relating to (i) clearing FCM Listed Interest Rates Contracts; (ii) the FCM Rulebook; or (iii) the FCM Listed Interest Rates Contract Terms of any Designated FCM Listed Interest Rates Contracts should be directed to the Clearing House.

#### (b) *Interpretation*

Capitalised terms used in these FCM Procedures not otherwise defined herein have the meanings ascribed to them in the FCM Rulebook.

#### (c) *FCM Listed Interest Rates Eligible Products*

FCM Listed Interest Rates Clearing Members are advised for the purposes of the FCM Regulations and these FCM Procedures, that the eligibility criteria for FCM Listed Interest Rate Eligible Products is available on the Clearing House's website ([www.lch.com](http://www.lch.com)).

(d) *Use of the FCM Listed Rates Clearing Service*

- (i) Where any FCM Clearing Member wishes to participate in any part of the FCM Listed Interest Rates Clearing Service, it must first seek appropriate authorisation from the Clearing House. FCM Clearing Members seeking authorisation to participate in the FCM Listed Interest Rates Clearing Service will be required to seek separate authorisation for business undertaken in relation to the service provided by each Rates Exchange.

Details of how to obtain such authorisations may be obtained from the Clearing House's Onboarding Department. The FCM Clearing Member must comply with all membership and other requirements of the Clearing House, including requirements relating to settlement. Specifically, with regard to settlement, each FCM Clearing Member must at all times ensure:

- (A) that it has PPS accounts in all relevant currencies to enable clearing and settlement; and
- (B) that it has settlement accounts with all relevant central securities depositories identified in these FCM Procedures as relevant to such FCM Clearing Member's FCM Listed Interest Rates Clearing Business.
- (ii) Failure to meet the requirements set out in sub-paragraph (d)(i)(A)-(B) above (and other applicable requirements) will result in that FCM Clearing Member not having appropriate settlement arrangements in place and, as a result, any FCM Listed Interest Rates Novation ~~Contract~~[Transaction](#) or Rates Exchange Match presented for registration by, or on behalf of, that FCM Clearing Member will not fulfil the relevant eligibility criteria for registration as FCM Listed Interest Rates Contracts (see FCM Regulation 59(c) and FCM Regulation 60(b)). In such a case, such FCM Listed Interest Rates Novation ~~Contract~~[Transaction](#) or Rates Exchange Match may be rejected by the Clearing House and no FCM Listed Interest Rates Contracts would arise. The FCM Listed Interest Rates Novation ~~Contract~~[Transaction](#) or Rates Exchange Match would then be governed by any applicable Rates Exchange Rules.

(e) *Suspension of Trading*

For the avoidance of doubt, any action by a Rates Exchange to suspend, de-list or take any other action with regard to an FCM Listed

Interest Rate Eligible Product shall not affect any obligations that an FCM Listed Interest Rates Clearing Member may have to the Clearing House with regard to any open FCM Listed Interest Rates Contracts in such Listed Interest Rate Eligible Product.

(f) *Liability*

- (i) FCM Listed Interest Rates Clearing Members are asked to note that any statements set out in these FCM Procedures regarding the liability of the Clearing House are made without prejudice to the generality of the provisions set out in FCM Regulation 44.
- (ii) The Clearing House does not seek to limit or exclude any liability for personal injury or death caused by its negligence, or for fraud or wilful default on the part of the Clearing House.

(g) *Rates Exchange Status*

Application for Rates Exchange status shall be made in accordance with the policies published from time to time on the Clearing House's website. A list of Rates Exchanges currently approved by the Clearing House, as well as an indication of whether FCM Listed Interest Rates Eligible Products listed on such Rates Exchange are registered by the Clearing House through an open offer or through novation, shall be made available by the Clearing House. Where the Clearing House approves additional Rates Exchanges, it will notify FCM Listed Interest Rates Clearing Members via a member circular.

2.3.2 **General Information**

(a) *Service Operation*

(i) Trading and Clearing System Functions

The respective functions of a Rates Exchange's trading system and the Clearing House's clearing system are contained in the relevant Service Description. All enquiries regarding the FCM Listed Interest Rates Clearing Service should be directed to [the Listed Rates Client Services](#) ~~on +44 7426 7651 or [ListedRates.Ops.UK@leh.com](mailto:ListedRates.Ops.UK@leh.com)~~ [Department](#).

(ii) Operating Times

The Clearing House will publish on its website details of the days and times during which the FCM Listed Interest Rates Clearing Service will be operational.

(iii) Trade Acceptance Hours

The trade acceptance hours of a given Rates Exchange are set out in the relevant Service Description.

Any FCM Listed Interest Rates Novation Transactions or Rates Exchange Matches ~~presented~~ which are executed on an exchange and accepted for clearing outside of these hours will be designated as “pending” registration. No position management or allocation functions may be performed on a trade that is in a “pending” status. Once the Clearing House’s systems reopen, each such “pending” trade will be instantaneously processed for registration and its status will be updated accordingly in the reports made available by the Clearing House to FCM Clearing Members.

(iv) *System Requirements*

FCM Clearing Members must have in their office, at a minimum, ~~a PC configured to access to the clearing system~~ GUI LCH portal where required by the Clearing House, ~~a printer~~ and back-up connectivity to the clearing system as required by the Clearing House.

(b) *Member Reporting*

The Clearing House makes available appropriate clearing information via reports, real time confirmations and other means. Full details are contained in the relevant Service Description documentation.

(c) *Clearing House Reporting*

The Clearing House (acting, where applicable, through the entity to which it has elected to delegate the relevant reporting obligation) shall report to a trade repository or similar body the details of an FCM Listed Interest Rates Contract and any modification or termination of such contract without duplication and no later than the working day following the conclusion, modification or termination of such contract, in line with the requirements of Applicable Law.

(d) *Static Data*

Prior to presentation of any FCM Listed Interest Rates Novation ~~Contract~~ Transaction or Rates Exchange Match for registration as an FCM Listed Interest Rates Contract, an FCM Listed Interest Rates Clearing Member is required to provide sufficient information in respect of the Rates Exchange from which such FCM Listed Interest Rates Novation ~~Contract~~ Transaction or Rates Exchange Match will be presented (“**Rates Exchange Information**”). This applies also to any FCM Listed Interest Rates Novation ~~Contract~~ Transaction or Rates Exchange Match traded pursuant to any agency arrangements permitted by the rules of that Rates Exchange.

The format, contents and completion process of the static data form for the provision of the Rates Exchange Information, in respect of each Rates Exchange, is prescribed from time to time by the Clearing House. Copies of the prescribed forms, for each Rates Exchange, are available from the Clearing House Onboarding Department.

Failure to provide the correct Rates Exchange Information in respect of the particular Rates Exchange may result in the rejection of FCM Listed Interest Rates Novation ~~Contract~~Transaction or Rates Exchange Match.

(e) *Customer Gross Margin*

Pursuant to FCM Regulation 7(c)(iv), for each business day an FCM Clearing Member must report the end-of-day gross positions in FCM Listed Interest Rates Contracts for each of the individual FCM Clients with positions in its FCM Omnibus Listed Interest Rates Client Account with LCH, other than Nominated FCM Clients that participate in the FCM Portfolio Margining Service. Such position reports must be submitted in the form and manner specified by the Clearing House. If an FCM Clearing Member fails for any reason to provide a position report for a given business day, then the Clearing House shall use the positions of the relevant FCM Clients included in the most recent successfully submitted position report of that FCM Clearing Member.

2.3.3 **Registration**

(a) *General*

FCM Listed Interest Rates Contracts may arise through either a novation or an open offer clearing mechanism.

(i) *Novation*

Novation applies to each FCM Listed Interest Rates Eligible Product executed as an FCM Listed Interest Rates Novation Transaction on a Rates Exchange. Where an FCM Listed Interest Rates Novation Transaction is presented to the Clearing House for registration, the Clearing House will determine whether to accept or reject the FCM Listed Interest Rates Novation Transaction within the required timeframe under all Applicable Law. Where the Clearing House determines to accept the FCM Listed Interest Rates Novation Transaction, registration shall occur immediately and the FCM Listed Interest Rates Novation Transaction shall be automatically replaced with (as applicable) (i) two separate FCM Listed Interest Rates Contracts, one between the relevant FCM Listed Interest Rates Clearing Member and the Clearing House and the other between the same or another FCM Listed Interest Rates Clearing Member and the Clearing House, or (ii)



one FCM Listed Interest Rates Contract between the relevant FCM Listed Interest Rates Clearing Member and the Clearing House and one Non-FCM Listed Interest Rates Contract between the relevant Listed Interest Rates Clearing Member and the Clearing House.

Novation of FCM Listed Interest Rates Novation Transactions is described in greater detail in FCM Regulation 3(b) and FCM Regulation 54.

(ii) Open Offer

The Clearing House also provides an open offer in respect of FCM Listed Interest Rates Eligible Products listed for trading on one or more Rates Exchanges. Pursuant to this “open offer”, once particulars in respect of a Rates Exchange Match are presented to the Clearing House, then, subject to the FCM Regulations and the FCM Procedures, the Clearing House shall automatically and immediately register either (i) two separate FCM Listed Interest Rates Contracts, one between the relevant FCM Listed Interest Rates Clearing Member and the Clearing House and the other between the same or another FCM Listed Interest Rates Clearing Member and the Clearing House, or (ii) one FCM Listed Interest Rates Contract between the relevant FCM Listed Interest Rates Clearing Member and the Clearing House and one Non-FCM Listed Interest Rates Contract between the relevant Listed Interest Rates Clearing Member and the Clearing House.

The Clearing House’s open offer arrangements for Rates Exchange Matches are described in greater detail in FCM Regulation 53.

The time of registration of a FCM Listed Interest Rates Contract shall be when registration of such FCM Listed Interest Rates Contract occurs as described under this Section 2.3.3(a)(i) or (ii) (as applicable) (the “**Registration Time**”).

(b) *Presentation*

Presentation of an FCM Listed Interest Rates Novation ~~Contract~~[Transaction](#) or a Rates Exchange Match (as applicable) for registration to the Clearing House constitutes immediate confirmation in accordance with the FCM Regulations by the FCM Listed Interest Rates Clearing Member in whose name the FCM Listed Interest Rates Novation ~~Contract~~[Transaction](#) or a Rates Exchange Match is presented. However, the Clearing House will only accept for registration, as FCM Listed Interest Rates Contracts, the particulars of an FCM Listed Interest Rates Novation ~~Contract~~[Transaction](#) or a Rates Exchange Match presented by a Rates Exchange in a message format and manner acceptable to the Clearing House.

Each FCM Listed Interest Rates Clearing Member authorised to participate in the FCM Listed Interest Rates Clearing Service must be familiar with the operating procedures and deadlines of each Rates Exchange in respect of which it has been approved by the Clearing House.

(c) *Intra-Day Registration*

The Clearing House registers all FCM Listed Interest Rates Contracts on an intra-day basis.

(d) *Rejection*

Where (a) an FCM Listed Interest Rates Novation Transaction, or (b) the particulars of a Rates Exchange Match are presented to the Clearing House for registration as two FCM Listed Interest Rates Contracts (or one FCM Listed Interest Rates Contract and one Non-FCM Listed Interest Rates Contract), the Clearing House may reject such registration where:

- (i) the relevant FCM Listed Interest Rates Eligibility Criteria are not met;
- (ii) such transaction or particulars (as applicable) have as their subject a product which is not an FCM Listed Interest Rates Eligible Product;
- (iii) such transaction or particulars (as applicable) contain invalid or incomplete message data;
- (iv) such transaction or particulars (as applicable) are required or requested by any Regulatory Body or the relevant Rates Exchange to be rejected or treated as void or voided; or
- (v) the Clearing House considers that rejection is advisable for its own protection or the protection of the relevant market.

If the Clearing House rejects the registration of an FCM Listed Interest Rates Novation Transaction or a Rates Exchange Match, the relevant FCM Listed Interest Rates Clearing Member(s) and Listed Interest Rates Clearing Member, and the relevant Rates Exchange, will be notified of such rejection within the required timeframe under all Applicable Law.

If an FCM Listed Interest Rates Novation Transaction or the particulars of a Rates Exchange Match are presented to the Clearing House for registration and rejected, such FCM Listed Interest Rates Novation Transaction or Rates Exchange Match (as applicable) may be re-presented for registration in the form of a new FCM Listed Interest Rates Novation Transaction or Rates Exchange Match (as applicable) but with the same economic terms in accordance with, and subject to, the FCM Rulebook and all Applicable Law, and such FCM Listed

Interest Rates Novation Transaction or Rates Exchange Match (as applicable) will, for the purposes of the FCM Rulebook and upon such re-presentation, constitute a new FCM Listed Interest Rates Novation Transaction or Rates Exchange Match (as applicable). FCM Listed Interest Rate Novation Transactions must be executed, matched and presented for registration prior to the relevant Rates Exchange deadline for registration. Any FCM Listed Interest Novation Transactions presented after that time will be rejected.

Where a transaction or particulars (as applicable) are rejected by the Clearing House, no FCM Listed Interest Rates Contracts arise between the Clearing House and the FCM Listed Interest Rates Clearing Members concerned. Subject to FCM Regulation 44(e), the Clearing House has no liability in respect of such rejection.

#### 2.3.4 *Accounts*

##### (a) *Position Accounts*

(i) **FCM Accounts.** For identification purposes, each FCM Listed Interest Rates Clearing Member is assigned a unique three-character mnemonic with respect to its accounts relating to FCM Listed Interest Rates Contracts. An FCM Listed Interest Rates Clearing Member's position and financial information are further identified by position-keeping accounts corresponding to a single character code: C for client business-~~and~~, H for house business, and A for affiliate business.

(ii) **Position-Keeping Accounts.** The account types are H for house business (Proprietary Account)-~~and~~, C for segregated client business (an FCM Omnibus Listed Interest Rates Client Account with LCH and an FCM Omnibus Listed Interest Rates Portfolio Margining Client Account with LCH), and A for affiliate business (an FCM Affiliate Account). An FCM Listed Interest Rates Clearing Member's FCM Listed Interest Rates Contract positions are also recorded within the FCM Listed Interest Rates Clearing Service in Listed Interest Rates accounts. The FCM Listed Interest Rates Clearing Member reporting functionality also allows each FCM Listed Interest Rates Clearing Member to identify all FCM Listed Interest Rates Contracts registered in its name.

##### (b) *FCM Omnibus Listed Interest Rates Portfolio Margining Client Account with LCH*

(i) **Account Opening.** The Clearing House will open an FCM Omnibus Listed Interest Rates Portfolio Margining Client Account with LCH for each FCM Listed Interest Rates Clearing Member.

- (ii) **Purpose of Account.** The FCM Omnibus Listed Interest Rates Portfolio Margining Client Account with LCH is the account from which the Identified Off-Setting FCM Listed Interest Rates Contracts of a Nominated FCM Client will be transferred in connection with the operation of the FCM Portfolio Margining Service.
  - (iii) **Allocation.** An FCM Listed Interest Rates Clearing Member is responsible for designating, in the form and manner specified by the Clearing House, which FCM Portfolio Margining Eligible FCM Listed Interest Rate Contracts of a given Nominated FCM Client are to be recorded to the FCM Omnibus Listed Interest Rates Portfolio Margining Client Account with LCH. Any FCM Portfolio Margining Eligible FCM Listed Interest Rate Contracts not so designated will automatically be recorded to the FCM Omnibus Listed Interest Rates Client Account with LCH of the relevant FCM Listed Interest Rates Clearing Member.
  - (iv) **Customer Data.** In connection with submitting an FCM Portfolio Margining Request in respect of a Nominated FCM Client, an FCM Listed Interest Rates Clearing Member must furnish the Clearing House with the correct, full legal name and associated legal entity identifier (“LEI”) of such Nominated FCM Client, in the form and manner specified by the Clearing House. An FCM Listed Interest Rates Clearing Member must promptly notify the Clearing House of any changes to the legal name and/or LEI of a Nominated FCM Client.
  - (v) **Gross Margining.** The FCM Omnibus Listed Interest Rates Portfolio Margining Client Account with LCH will be margined on a gross basis per Nominated FCM Client as described in more detail in Section 2.3.5 below.
- (c) *Other Accounts*

The Clearing House will open operational accounts, in respect of an FCM Listed Interest Rates Clearing Member, which are used to record cash and securities balances and its Listed Interest Rates Contributions. The Clearing House may open and close such operational accounts, in its sole discretion, upon notice to the relevant FCM Listed Interest Rates Clearing Member. FCM Listed Interest Rates Operations will provide details of such accounts to an FCM Listed Interest Rates Clearing Member upon request.

### 2.3.5 *Margin and Collateral*

- (a) *Initial Margin*

The Clearing House will require FCM Listed Interest Rates Clearing Members to furnish it with Initial Margin.

The Initial Margin requirement in respect of an FCM Omnibus Listed Interest Rates Client Account with LCH is calculated on a net basis, plus an additional amount based on the end of day gross position report for each FCM Client submitted by the FCM Clearing Member pursuant to Section 2.3.2(e) above, and the amount of such Initial Margin requirement shall not be less than the sum of the Initial Margin that would be required by the Clearing House as if each such FCM Client was an FCM Listed Interest Rates Clearing Member. If an FCM Clearing Member fails for any reason to provide an end of day gross position report for a given business day, then the Clearing House shall calculate the end of day gross Initial Margin requirement based on the gross positions included in the most recent successfully submitted position report of that FCM Clearing Member.

The Initial Margin requirement in respect of an FCM Omnibus Listed Interest Rates Portfolio Margining Client Account with LCH is calculated on a gross basis for each Nominated FCM Client and shall be an amount that is not less than the sum of the Initial Margin that would be required by the Clearing House as if each such Nominated FCM Client was an FCM Listed Interest Rates Clearing Member.

Initial Margin requirements are calculated on a net basis for each FCM Affiliate Omnibus Listed Interest Rates Account and on a net basis for each FCM Affiliate Individual Listed Interest Rates Account.

The Clearing House reserves the right to require additional amounts of Margin from a specific FCM Listed Interest Rates Clearing Member or from all FCM Listed Interest Rates Clearing Members in accordance with FCM Regulation 14.

(i) Initial Margin Parameters

Initial margin parameters are set by the Clearing House after consultation with the relevant Rates Exchange. However, in accordance with the FCM Regulations, the Clearing House retains the right at its discretion to vary the [rates parameters](#) for the whole market or for an FCM Listed Interest Rates Clearing Member's accounts.

FCM Listed Interest Rates Clearing Members will be notified by the Clearing House of alterations to initial margin parameters no later than the day before PPS Calls are made based on the new rates.

(ii) Intra-Day Margin Calls

In accordance with the FCM Regulations the Clearing House is entitled to make additional margin calls for payment the same

day (intra-day margin calls) where it considers necessary. Intra-day margin calls will be made via the Protected Payments System (see FCM Procedure 3.2).

(iii) Calculation of Initial Margin

*Value at Risk (VaR)*. Initial margin obligations are re-calculated at the close of each business day using a VaR algorithm developed to calculate margin requirements on FCM Listed Interest Rates Contracts.

Technical questions about this algorithm should be directed to the Clearing House Risk Management Department on +44 (0) 20 7426 7520.

(iv) Default fund additional margin

The Clearing House may from time to time require a FCM Listed Interest Rates Clearing Member to transfer Collateral to the Clearing House to meet the default fund additional margin requirement as determined and notified by the Clearing House to such FCM Listed Interest Rates Clearing Member ("**DFAM**"). The methodology by which the Clearing House determines DFAM is available within the LCH portal, which is on the Clearing House website. The Clearing House will record any Collateral a FCM Listed Interest Rates Clearing Member has provided to meet its DFAM obligation to the FCM Listed Interest Rates Clearing Member's Proprietary Account.

(v) Minimum Excess Requirement ("**MER**")

Each FCM Listed Interest Rates Clearing Member is subject to a minimum excess margin requirement ("**MER**") in respect of (i) its FCM Omnibus Listed Interest Rates Client Account with LCH, (ii) the set of FCM Listed Interest Rates Contracts recorded in respect of each Nominated FCM Client in the FCM Omnibus Listed Interest Rates Portfolio Margining Client Account with LCH, (iii) each of its FCM Affiliate Accounts, and (iv) its Proprietary Account (each, a "**MER Account**"). The Clearing House calculates and resets MER daily for each MER Account based on the prior liabilities incurred in respect of such MER Account over a given lookback period.

The Clearing House may call MER on an intra-day basis or as part of the end of day margin call.

The value of the Collateral posted by an FCM Listed Interest Rates Clearing Member as MER in respect of a MER Account is available on an intra-day basis to satisfy any liabilities incurred by that FCM Listed Interest Rates Clearing Member in respect of such MER Account as they arise. An FCM Listed

Interest Rates Clearing Member must replenish any MER that has been used to satisfy any such liabilities at the next relevant margin call.

For the avoidance of doubt, MER forms part of the Required Margin with respect to each MER Account and does not constitute Excess Margin with respect to such MER Account.

(b) *Daily Settlement Amounts*

All open contracts are marked to market daily by the Clearing House in accordance with the relevant Rates Exchange Rules and the FCM Listed Interest Rates Contract Terms. The official quotation is used as the market price. Profits or losses are either: (X) credited to or debited from, as applicable, an FCM Listed Interest Rates Clearing Member's FCM Omnibus Listed Interest Rates Client Account with LCH and/or its FCM Omnibus Listed Interest Rates Portfolio Margining Client Account with LCH ~~or~~ (in respect of its FCM Client Business) or the relevant FCM Affiliate Account (in respect of its FCM Affiliate Business) or (Y) they form non-realised contingent liabilities or credits.

(i) Realised Daily Settlement Amounts

Realised daily settlement amounts are the calculated profit or loss arising from a comparison between the value of open positions at the relevant official quotations with the value of positions recorded by the Clearing House (i.e. the trade price for new trades and the previous day's official quotation for other positions). Realised daily settlement amounts are realised into postings to the FCM Clearing Member's FCM Omnibus Listed Interest Rates Client Account with LCH (in respect of its FCM Client Business) or the relevant FCM Affiliate Account (in respect of its FCM Affiliate Business).

(c) *Additional Margin*

In accordance with FCM Regulation 14 (*Margin and Collateral*), the Clearing House may call additional amounts of Collateral (on top of the amounts of Collateral previously transferred to the Clearing House in respect of initial margin and daily settlement obligations) as security for the performance by an FCM Listed Interest Rates Clearing Member of its obligations to the Clearing House in respect of FCM Listed Interest Rates Contracts registered in its name. This may be required from time to time where, in the opinion of the Clearing House, the risk inherent in FCM Contracts held by the FCM Listed Interest Rates Clearing Member is not adequately covered by the Collateral in respect of the initial or daily settlement obligations. This may cover instances where stress losses under various scenarios are larger than the pre-defined thresholds of the default fund. The Clearing House may only apply such additional Collateral against the FCM

Contracts generating such losses, and may not apply it as a credit in respect of initial margin obligations generally.

(d) *Official Quotations*

Official Quotations are based on the “Daily Settlement Price (DSP)” and are supplied by the relevant Rates Exchange (or, in respect of Designated FCM Listed Interest Rates Contracts, by the Clearing House) at the close of business each day. Should the relevant Rates Exchange fail to determine DSPs, the Clearing House will determine these as necessary. This will be done at the Clearing House’s discretion and announced as soon as possible.

(e) *Cash Settlement*

Cash settlement is a final settlement derived from the difference between the expiry price and the previous business day’s official quotation or such other quotation as is specified in the relevant Rates Exchange Rules and the FCM Listed Interest Rates Contract Terms. This is debited from or credited to the FCM [Clearing Member’s FCM Omnibus Listed Interest Rates Client Account with LCH](#) and/or its FCM Omnibus Listed Interest Rates Portfolio Margining Client Account with LCH (in respect of its FCM Client Business) or the relevant FCM Affiliate Account (in respect of its FCM Affiliate Business).

2.3.6 *Trade and Position Management*

(a) *Allocations*

FCM Listed Interest Rates Novation Transactions and Rates Exchange Matches can be allocated to an FCM Listed Interest Rates Clearing Member’s Position Keeping Accounts in a number of different ways based on the information provided:

- (i) by including the Position Account Owner and the Position account type (e.g., House ~~or~~, Client [or Affiliate](#));
- (ii) by giving-up the trade to another FCM Listed Interest Rates Clearing Member (using the message function);
- (iii) by carrying out an internal give-up (using the message function) to move the trade between an FCM Listed Interest Rates Clearing Member’s own accounts; and
- (iv) by modifying the trade or particulars (by contacting the Clearing House).

(b) *Give-Ups*

An FCM Listed Interest Rates Novation Transaction or Rates Exchange Match that has been accepted can be given up, either to



another Position Account Owner within a different FCM Listed Interest Rates Clearing Member's accounts ("**External Give-up**"), or to a different Position Account within the same FCM Listed Interest Rates Clearing Member's accounts ("**Internal Give-up**"). A "partial give-up" is achieved by a splitting the FCM Listed Interest Rates Novation Transaction or Rates Exchange Match followed by a Give-up.

For an Internal Give-up, the source and destination Position Account must be of the same account type. For an External Give-up, the source and destination Position Account may be of different account types where a Position Account owner is an FCM Client in respect of one FCM Listed Interest Rates Clearing Member but an FCM Affiliate in respect of the other FCM Listed Interest Rates Clearing Member.

An Internal Give-up is actioned immediately after the give-up instruction is successfully validated (including in respect of account type) and the trade is allocated to the target Position Account Owner specified in the instruction. Once an External Give-up instruction is successfully validated (including in respect of account type) it is marked as "Alleged". The target Position Account Owner will be informed of the alleged Give-up.

A Give-up that is still in an Alleged status can be cancelled, in which case the give-up instruction will be marked as cancelled and a confirmation sent to both the source and target Position Account Owners.

Give-ups are also passed through the risk validation checks described in Section 2.3.3(c) and (d) above.

Give-ups are permitted up until the close of trading on the day following the date on which a contract is executed ("**Position Management Window**"). Give-ups on expiring contracts are only permitted until the end of the Position Management Window of the expiry process.

(c) *Take-Ups*

Any "Alleged" external Give-up instruction can either be Taken-up or Rejected by the target Position Account Owner, which must enter the position account it wishes the trade to be allocated to if it accepts the give-up. The trade is then re-allocated to the new position account and the Give-up and Take-up transactions are marked as Transferred.

If the Take-up is rejected the trade will remain in the source position account and the Give-up and Take-up transactions marked as Rejected.

Take-ups are permitted up until the end of the Position Management Window. Take-ups on expiring contracts are only permitted until the end of the Position Management Window of the expiry process.

(d) Position Transfers

Without prejudice to any approval that may be required under the relevant Rates Exchange Rules, FCM Listed Interest Rates Clearing Members wishing to effect a position transfer to another FCM Listed Interest Rates Clearing Member approved to participate in the FCM Listed Interest Rates Clearing Service may do so directly through Synapse, provided that, where a transfer would exceed any applicable Risk Parameters, such transfer will be subject to the validation process described in Section 2.3.3(c) and (d) above before being accepted or rejected by the Clearing House.

Otherwise, FCM Listed Interest Rates Clearing Members wishing to effect a position transfer should submit a written request by sending an email to [derivatives.ops.uk@lch.com](mailto:derivatives.ops.uk@lch.com).

Provided they relate to valid positions, [relate to permissible account types](#), and adequate Collateral is available from both FCM Listed Interest Rates Clearing Members, the transfer will normally be authorised. Should insufficient Collateral be available, the transfer may not be authorised until additional Collateral is transferred to the Clearing House.

(e) Average Pricing

An FCM Listed Interest Rates Clearing Member may request that the Clearing House group together certain FCM Listed Interest Rates Contracts (an “AP Group”) in order to calculate an average price for such AP Group. All such requests must be made in the form and manner required by the Clearing House and during the times on a business day when the Clearing House makes the average pricing service available.

Only FCM Listed Interest Rates Contracts that: (i) are of the same trade direction; (ii) have the same symbol, expiry month and execution date; and (iii) are recorded in the same account, are eligible for inclusion in the same AP Group. An FCM Listed Interest Rates Clearing Member may add FCM Listed Interest Rate Contracts to, or remove FCM Listed Interest Rate Contracts from, an AP Group until the AP Group is closed. An FCM Listed Interest Rate Contract that forms part of an AP Group cannot be given-up or transferred under Section 2.3.6(b) or (d), above.

Where the Clearing House accepts an average pricing request, the Clearing House will (i) calculate an average price for the AP Group using the algorithm established for such purpose and (ii) cancel the FCM Listed Interest Rate Contracts in the AP Group and replace each

such contract with a single FCM Listed Interest Rate Contract at the calculated average price.

2.3.7 US Treasury Futures Contracts – Delivery Procedures

These delivery procedures should be read in conjunction with the rest of this document, the FCM Rulebook, the relevant Rates Exchange Rules and the relevant FCM Listed Interest Rates Contract Terms. FCM Listed Interest Rates Clearing Members must be fully aware of their obligations under the relevant contracts.

In the event of any conflict between the FCM Rulebook and the relevant Rates Exchange Rules and the FCM Listed Interest Rates Contract Terms, the FCM Rulebook shall prevail.

(a) Interpretation and Definitions

All times shown are New York time and the twenty-four hour clock is used.

“Business Day” means any day on which the Federal Reserve wire, and access by Qualified Banks to it, is operable. In the event that an act falls to be performed on a day that is not a Business Day (including, but not limited to, as the result of an unexpected public holiday in the United States), such act shall fall to be performed on the next available Business Day.

“Buyer” means an FCM Listed Interest Rates Clearing Member required to take delivery on an expiring US Treasury Futures Contract pursuant to either the Early Delivery Process or the Delivery at Expiry Process.

“Consideration Value” means an amount per lot due to a Seller and payable by a Buyer. The preliminary Consideration Value is calculated by the Clearing House in accordance with the FCM Listed Interest Rate Contract Terms for the relevant US Treasury Futures Contract. The Clearing House then applies, as relevant, any applicable execution costs, penalties and/or late delivery fees to establish the final Consideration Value.

“Delivery at Expiry Process” means the delivery process described in paragraph 2.3.7(b)(iv) below.

“Delivery Day” means, during an Early Delivery Period, the Business Day following the relevant Notice Day.

“Delivery Month” means, in respect of a US Treasury Futures Contract, the period from the first Business Day of such Contract’s named month of expiration and shall extend to, and include, the last Business Day of such Contract’s named month of expiration.

“**Early Delivery Period**” means, in respect of a US Treasury Futures Contract, the period from the First Intention Day of such Contract’s Delivery Month to the Business Day prior to the Final Intention Day of such Contract’s Delivery Month.

“**Early Delivery Process**” means the delivery process described in paragraph 2.3.7(b)(iii) below.

“**First Intention Day**” means the second Business Day prior to the first Business Day of the relevant Delivery Month.

“**Intention Day**” means, during an Early Delivery Period, the second Business Day prior to the intended Delivery Day.

“**Last Delivery Day**” means the last Business Day of the relevant Delivery Month.

“**Last Intention Day**” means the second Business Day prior to the last Business Day of the relevant Delivery Month.

“**Last Notice Day**” means the Business Day prior to the last Business Day of the relevant Delivery Month.

“**Notice Day**” means, during an Early Delivery Period, the Business Day following the relevant Intention Day.

“**Qualified Bank**” means a US commercial bank (either Federal or State charter) that is a member of the Federal Reserve System and that has capital (capital, surplus and undivided earnings) in excess of one hundred million US Dollars (\$100,000,000).

“**Seller**” means an FCM Listed Interest Rates Clearing Member required to make delivery on an expiring US Treasury Futures Contract pursuant to either the Early Delivery Process or the Delivery at Expiry Process.

“**SSI**” means the standard settlement instructions at a Qualified Bank provided by FCM Listed Interest Rates Clearing Members to the Clearing House pursuant to Section 2.3.7(b)(v) below.

“**US Treasury Futures Contract**” means an FCM Listed Interest Rates Contract for the purchase or sale of US government notes or bonds for future delivery.

(b) Delivery

(i) In General

All US Treasury Futures Contracts may be settled by delivery of contract grade US Treasury securities by a Seller on any Business Day of such Contract’s Delivery Month that the Seller may select. All such deliveries must be made in accordance

with the Early Delivery Process or the Delivery at Expiry Process, each as set out below.

For the avoidance of doubt, deliveries against an expiring US Treasury Futures Contract may be made no earlier than the first Business Day of such Contract's Delivery Month, and no later than the last Business Day of such Contract's Delivery Month.

(ii) Long Position Reports

FCM Listed Interest Rate Clearing Members with long positions in an expiring US Treasury Futures Contract must report such long positions to the Clearing House beginning on the third Business Day prior to the First Intention Day of the relevant Delivery Month.

Such reports must group long positions by account origin, i.e. its proprietary (including FCM Affiliate) business or its FCM Client business, and by vintage date, i.e. the Business Day on which the position was first established. Where a long position report fails to include the relevant vintage dates, the Clearing House shall treat the vintage date of all positions to be the first trading date of the relevant US Treasury Futures Contract.

Long position reports shall be submitted to the Clearing House using the LCH portal no later than 19:00 on the relevant Business Day in the form and manner prescribed by the Clearing House from time to time.

(iii) Early Delivery Process

The Early Delivery Process is available during the Early Delivery Period in respect of a US Treasury Futures Contract.

The Early Delivery Process shall follow the steps set out in this paragraph (b)(iii).

(A) Intention Day

An FCM Listed Interest Rates Clearing Member with one or more short positions in an expiring US Treasury Futures Contract may, on any Intention Day during the Early Delivery Period, notify the Clearing House of its intention to make delivery as Seller in respect of such short position(s). Such intention notices must be submitted to the Clearing House using the LCH portal no later than 19:00 on the relevant Intention Day in the form and manner prescribed by the Clearing House from time to time.

Following submission of intention notices by Sellers on an Intention Day, the Clearing House shall use an assignment algorithm to match Sellers with FCM Listed Interest Rates

Clearing Members that have reported long positions with the oldest vintage date. The Clearing House shall repeat the assignment process to match any remaining short positions to long positions with the next-oldest vintage date until all such short positions have been matched. The FCM Listed Interest Rates Clearing Members with long positions that have been matched by the assignment algorithm will thereafter be required to take delivery as Buyers. The Clearing House shall notify matched Sellers and Buyers using the LCH portal no later than 21:00 on the relevant Intention Day. All such matching notices are final and irrevocable when issued.

Where an FCM Listed Interest Rates Clearing Member has both long and short positions in an expiring US Treasury Futures Contract, it must tender all notices of intention to deliver. For the avoidance of doubt, the assignment algorithm may match an FCM Listed Interest Rates Clearing Member with long and short positions in the same expiring US Treasury Futures Contract, such that the FCM Listed Interest Rates Clearing Member is both Buyer and Seller in respect of the same delivery obligation.

(B) Notice Day

Each Seller that submits an intention notice on an Intention Day must, on the relevant Notice Day, notify the Clearing House of the US Treasury securities it will use to fulfil its delivery obligations to the relevant matched Buyer. Such bond nomination notices must be submitted to the Clearing House using LCH portal no later than 15:00 on the relevant Notice Day in the form and manner prescribed by the Clearing House from time to time.

Where a Seller fails to timely provide a bond nomination notice, the Clearing House shall nominate the US Treasury securities on behalf of such Seller using a “cheapest to deliver” process. Additional information regarding this process is available from the Clearing House.

Following submission of each bond nomination notice, the Clearing House shall generate an invoice containing the relevant delivery and payment details, including but not limited to the Buyer’s and Seller’s SSIs and the Consideration Value. The Clearing House shall make each such invoice available to the relevant matched Sellers and Buyers using the LCH portal.

All such invoices are, in the absence of manifest error, final and irrevocable when issued.

Where a Buyer or Seller wishes to dispute an invoice on the basis of manifest error, it must contact the Clearing House immediately on the relevant Notice Day.

(C) Delivery Day

Delivery shall occur on a “delivery versus payment” basis. That is, payment shall not be made until the US Treasury securities to be tendered for delivery are delivered.

On the relevant Delivery Day:

(i) the relevant Buyer must make federal funds available, and must notify its Qualified Bank to accept contract grade US Treasury securities and to remit such federal funds to the account of the Seller, at the Seller’s Qualified Bank; and

(ii) the relevant Seller must have contract grade US Treasury securities in place at its Qualified Bank, in delivery form that is acceptable to its Qualified Bank, and must notify its Qualified Bank to transfer said US Treasury securities by book entry, on a delivery versus payment basis, to the account of the Buyer taking delivery, at the Buyer’s Qualified Bank.

Delivery of securities from the Seller’s Qualified Bank to the Buyer’s Qualified Bank, and the relevant payment from the Buyer’s Qualified Bank to the Seller’s Qualified Bank, must occur no later than 14:00 on the relevant Delivery Day.

The Buyer and Seller must notify the Clearing House of completed deliveries no later than 16:00 on the relevant Delivery Day in the form and manner prescribed by the Clearing House from time to time. Following receipt of such notice, the Clearing House shall update the relevant long and short positions as settled.

(iv) Delivery at Expiry Process

All short positions in an expiring US Treasury Futures Contract that remain open on the Last Intention Day of the relevant Delivery Month must be delivered in accordance with the Delivery at Expiry Process, which occurs over the Last Intention Day, Last Notice Day, and Last Delivery Day of the relevant Delivery Month.

(A) Last Intention Day

On the Last Intention Day, the Clearing House shall designate all FCM Listed Interest Rates Clearing Members with open short positions as Sellers. The Clearing House shall then use its assignment algorithm to match such Sellers with FCM Listed Interest Rates Clearing Members that have reported long

positions with the oldest vintage date. The Clearing House shall repeat the assignment process to match any remaining short positions to long positions with the next-oldest vintage date until all such short positions have been matched. The FCM Listed Interest Rates Clearing Members with long positions that have been matched by the assignment algorithm will thereafter be required to take delivery as Buyers.

For the avoidance of doubt, the assignment algorithm may match an FCM Listed Interest Rates Clearing Member with long and short positions in the same expiring US Treasury Futures Contract, such that the FCM Listed Interest Rates Clearing Member is both Buyer and Seller in respect of the same delivery obligation.

The Clearing House shall notify matched Sellers and Buyers using the LCH portal no later than 21:00 on the Last Intention Day. All such matching notices are final and irrevocable when issued.

(B) Last Notice Day

On the Last Notice Day, Seller must notify the Clearing House of the US Treasury securities to be used to fulfil its delivery obligations to the relevant matched Buyer. Such bond nomination notices must be submitted to the Clearing House using the LCH portal no later than 15:00 on the Last Notice Day in the form and manner prescribed by the Clearing House from time to time.

Where a Seller fails to timely provide a bond nomination notice, the Clearing House shall nominate the US Treasury securities on behalf of such Seller using a “cheapest to deliver” process. Additional information regarding this process is available from the Clearing House.

Following submission of each bond nomination notice, the Clearing House shall generate an invoice containing the relevant delivery and payment details, including but not limited to the Buyer’s and Seller’s SSIs and the Consideration Value. The Clearing House shall make each such invoice available to the relevant matched Sellers and Buyers using the LCH portal.

All such invoices are, in the absence of manifest error, final and irrevocable when issued.

Where a Buyer or Seller wishes to dispute an invoice on the basis of manifest error, it must contact the Clearing House immediately on the Last Notice Day.



(C) Last Delivery Day

The Delivery at Expiry Process on the Last Delivery Day shall proceed between Buyer and Seller in the same manner and at the same times described in respect of the Early Delivery Process in Section 2.3.7(b)(iii)(C) above.

(v) Miscellaneous

(A) Role of the Clearing House

Under no circumstances shall the Clearing House be required to deliver, or accept delivery of, any relevant US Treasury securities in connection with the delivery processes described herein.

(B) No Portfolio Margining

A US Treasury Futures Contract shall not be eligible for, or included in, the FCM Portfolio Margining Service, as described in Section 2.1.25 above, beginning on the fifth Business Day prior to its Delivery Month. From such date, position transfers shall also be suspended.

(C) SSI and Qualified Banks

To be eligible to clear US Treasury Futures Contracts, an FCM Listed Interest Rates Clearing Member must provide the Clearing House with its SSI, and the details of its Qualified Bank, in the form and manner prescribed by the Clearing House from time to time.

(D) LCH Portal

FCM Listed Interest Rates Clearing Members may use the LCH portal for uploading long position reports, intention notices and bond nomination notices to the Clearing House.

(E) Clearing House Reporting

The Clearing House shall make available to FCM Listed Interest Rates Clearing Members certain reports via the LCH portal, including but not limited to the results of the Clearing House's allocation algorithm and delivery positions for US Treasury Futures Contracts.

(F) Fallback Procedures

If the LCH portal is unavailable at any relevant time, the Clearing House shall undertake to provide FCM Listed Interest

Rates Clearing Members with manual alternatives and will re-generate reports and invoices where needed.

(G) Delivery Failures

In the event that delivery cannot be accomplished because of a failure of the Federal Reserve wire, or because of a failure of either the Buyer's Qualified Bank or the Seller's Qualified Bank to access the Federal Reserve wire, delivery shall be made before 14:30 on the next Business Day on which the Federal Reserve wire, or bank access to it, is operable.

In the event of such failure, the Seller making delivery shall remit to the Buyer taking delivery such interest on the US Treasury securities being delivered as accrues between the Business Day on which the bonds were originally to be delivered and the Business Day on which the bonds are actually delivered. Both the Buyer and the Seller must provide to the Clearing House documented evidence that they gave instructions to their respective Qualified Banks.

(H) Penalties

(i) Where a Seller fails to fulfil its delivery obligations under the terms of a relevant US Treasury Futures Contract, the Clearing House may, in its sole and absolute discretion, grant an extension until no later than the close of the Federal Reserve wire on the relevant Delivery Day.

Where, following the expiration of any such extension period, the Seller has not fulfilled its delivery obligations, the Clearing House may, in its sole and absolute discretion, (A) trigger a cash settlement between the Seller and the Buyer, and/or (B) impose a penalty on the Seller.

In the event the Clearing House imposes a cash settlement on the Seller, (A) the Seller shall retain any relevant US Treasury securities and the Buyer shall retain the Consideration Value, (B) the Early Delivery Process or the Delivery at Expiry Process, as appropriate, shall be cancelled, (C) the Clearing House shall calculate an amount to be paid by the Seller reflecting the difference between the contract price and the last traded price of the relevant US Treasury Securities, together with any penalty, (D) the Clearing House shall collect the amount calculated in (C) from the Seller from excess cash collateral balances held by the Seller or by cash called via PPS, and (E) having collected such amount, the Clearing House shall transfer the same to the Buyer.

(ii) If a Buyer fails to pay the Consideration Value by the due time therefor, the Clearing House may, in its sole and absolute

discretion, grant an extension until no later than the close of the Federal Reserve wire on the relevant Delivery Day.

Where, following the expiration of any such extension period, the Buyer has not fulfilled its payment obligations, the Clearing House may, in its sole and absolute discretion, impose a penalty on the Buyer.

In the event a penalty is imposed, (A) the Seller shall have any relevant US Treasury securities returned to it and the Buyer shall retain the Consideration Value, (B) the Early Delivery Process or the Delivery at Expiry Process, as appropriate, shall be cancelled, (C) the Clearing House shall calculate an amount to be paid by the Buyer as a penalty, (D) the Clearing House shall collect the amount calculated in (C) from the Buyer from excess cash collateral balances held by the Buyer or by cash called via PPS, and (E) having collected such amount, the Clearing House shall transfer the same to the Seller.

(iii) Any amounts payable as penalties under this subparagraph (H) shall be determined by the Clearing House in accordance with its policies and procedures.

### 3. FINANCIAL TRANSACTIONS

#### 3.1 Accounts

##### 3.1.1 *Overview*

FCM Clearing Member accounts have financial accounts associated with them. These are, *inter alia*, used to record cash balances and securities Collateral

Refer to Sections 2.1.6, 2.2.6 and 2.3.4 of these FCM Procedures for a full description of financial accounts.

TheIn connection with the FCM Client Business of an FCM Clearing Member, the Clearing House and the FCM Clearing ~~Members~~Member are permitted to physically commingle the Collateral relating to Swap Products and to physically commingle the Collateral relating to Futures Products. However, Collateral relating to Swap Products and Collateral relating to Futures Products must be segregated (both physically and in bookkeeping accounts) from one another in accordance with the CEA and CFTC Regulations.

In addition, Collateral relating to the FCM Client Business of an FCM Clearing Member and Collateral relating to the FCM Affiliate Business of such FCM Clearing Member must be segregated (both physically and in bookkeeping accounts) from one another in accordance with the CEA and CFTC Regulations.

##### 3.1.2 *Margin Account Postings*

Transactions posted to a Margin account include but are not limited to:

- (a) PPS calls and pays;
- (b) option premiums;
- (c) prompt day delivery amounts;
- (d) interest and accommodation charges;
- (e) Clearing House fees, charges and rebates;
- (f) exchange fees, levies and rebates;
- (g) amounts credited or debited in respect of Variation Settlement, Price Alignment Amount and coupons;
- (h) cash settlement; and
- (i) settlement differences.

Details of collateral balances, valuations and instructions are also available using the CMS.

### 3.1.3 **Ledgers**

Each Margin account may comprise one or more ledgers, including:

- (a) non-cover ledger (which is used to record (i) Coupons received on securities held as Collateral, (ii) Variation Settlement and coupon payments relating to FCM SwapClear Contracts which are forward rate agreements, (iii) fees, charges, levies and rebates, and (iv) interest on cash balances and Price Alignment Amount); and
- (b) cover ledger (which is used to record all other items).

Liabilities arising from trading activity are recorded against the relevant Margin account only.

### 3.1.4 **Financial Transaction Reporting**

Banking reports are generated each day and provide members with data relating to but not limited to: liabilities by market, cash balances, non-cash balances, cash posting and interest rates.

All reports are available via the Member Reporting Web Site (Member Live site) and can be downloaded via the user interface or directly to Member back-office systems via an SFTP connection.

Details of valuations, cover instructions and cash and non-cash balances are available through the Clearing Management System.

A “Banking Reports Reference Pack” can be requested from the LCH Client Training Team. This contains definitions and examples of each of the available reports.

Details of cover balances, valuations and instructions are also available using the on-line Collateral Management System (CMS).

## 3.2 **Protected Payments System**

The Clearing House operates a direct debit system, known as the protected payments system (“PPS”), for the transfer of funds to and from FCM Clearing Members. The PPS is a recognized interbank payments system overseen by the Bank of England.

PPS is operated in London (“UK PPS”) and the United States (“US PPS”). In this Section, a day on which the PPS is open is referred to as a “**working day**”.

The PPS (both in London and in the US) is a system for facilitating payment to the Clearing House of moneys due from FCM Clearing Members to the Clearing House and vice versa. The giving of a commitment by a participating bank through the PPS

to make any payment, and the receipt of that commitment by the Clearing House, is not to be regarded as satisfaction of any payment due to the Clearing House.

Each FCM Clearing Member remains fully responsible for the payment to the Clearing House of all moneys due to the Clearing House as required, *inter alia*, by the FCM Clearing Membership Agreement, clearing extension documentation and the applicable provisions of the FCM Rulebook. Payment is only completed when the funds have been credited for value to the relevant Clearing House bank account, and any time permitted by the relevant payment settlement system for the recall of any such payment has expired.

### 3.2.1 **PPS Mandates**

#### (a) *Introduction*

An FCM Clearing Member is required to maintain a:

- (i) US dollar PPS account with any US PPS bank; and
- (ii) PPS bank account with any UK PPS bank in EUR, USD and GBP, and each currency in which it incurs settlement obligations, and provides Securities Collateral, to the Clearing House. An FCM Clearing Member may use different UK PPS banks for different currencies.

Please refer to the Clearing House's website for details.

FCM Clearing Members are responsible at all times for ensuring that their PPS bank accounts have sufficient funds or credit lines to be able to meet calls from the Clearing House.

Any bank charges connected with the holding of any PPS bank accounts or related to any activity on that account must be paid by the FCM Clearing Member holding the relevant account PPS mandates.

The GBP non-segregated PPS account will, *inter alia*, be used to process Contributions for all services other than the ForexClear Service. For [the](#) ForexClear Service, the USD non-segregated PPS account is used.

Where applicable, all PPS accounts that hold FCM Client Funds must be segregated in accordance with the FCM Regulations and the applicable provisions of the CEA and CFTC Regulations, including but not limited to Part 1, Part 22 and Part 190 of such regulations. Furthermore, PPS accounts that contain FCM Client Funds held with respect to Futures/Options Contracts may not contain FCM Client Funds held with respect to Cleared Swaps, unless permitted under the CEA or CFTC Regulations. [Funds relating to an FCM Clearing Member's Proprietary Account and its FCM Affiliate Accounts may be commingled in the same PPS account.](#)

Each FCM Clearing Member is required to complete a standard form UK PPS Mandate and US PPS Mandate (copies are available from treasury.ops.uk@lch.com.) for each bank branch at which they wish to operate an account before clearing can commence. The original of the mandate must be signed by a person with the appropriate authority within the FCM Clearing Member institution and then forwarded to the relevant bank. A copy must also be forwarded at the same time to the Clearing House Onboarding Department.

(b) *Currency Conversion*

The Clearing House supports cross currency collateral, which allows the FCM Clearing Member to elect to use cash cover denominated in one currency in respect of initial and contingent margin liabilities calculated in another currency. FCM Clearing Members must nominate the currency in which they wish to cover margin liabilities by prior arrangement with the Clearing House's Treasury Operations.

(c) *Morning PPS Calls*

FCM Clearing Members' liabilities are calculated overnight. Should the relevant liability not be covered by acceptable forms of Collateral held by the Clearing House (see section 3.3) any shortfall is called through UK PPS with separate calls made for each currency. Each FCM Clearing Member must ensure that its UK PPS bank(s) meets all payment instructions received from the Clearing House. Confirmation of payments, as notified, must be received by the Clearing House from the relevant PPS bank(s) by 09:00 London time, or within one hour of a subsequent call, on the day on which the PPS call is made. Payments will only be recognized for this purpose if the relevant PPS bank (i) has performed its concentration function (being the transfer of net funds from the PPS bank to a central account in the name of the Clearing House) (ii) has made such payments, and (iii) any time permitted by the relevant payment settlement system for the recall of any such payment has expired.

Where payments are due to an FCM Clearing Member, payments will be recognized as soon as payment instructions in respect of that payment have been given to a PPS bank. For this purpose, a payment instruction will only be recognized to the extent that the Clearing House has taken steps to transfer to the PPS bank any such sums as may be necessary to enable that payment instruction to be performed by the PPS bank.

(d) *Intra-day PPS Calls*

The intra-day margin call by the Clearing House is for intra-day Margin payments.

The Clearing House will call intra-day margin through UK PPS accounts, except where it wishes to make such a call after the UK PPS

## 4. COLLATERAL

### 4.1 General Information

#### 4.1.1 *Non-Cash Collateral*

FCM Clearing Members wishing to lodge securities (of the type permitted by the Clearing House) with the Clearing House as Collateral may do so. Securities lodged will be subject to a security interest and held in an account with the Clearing House by the FCM Clearing Member (in respect of Collateral furnished on behalf of FCM Clients, the Clearing House shall hold such securities in the applicable LCH Client Segregated Depository Account).

Collateral provided in respect of an FCM Clearing Member's Client account will not be applied by the Clearing House to its liabilities on ~~a house account~~ [its Proprietary Account or any of its FCM Affiliate Accounts](#) (see FCM Regulation 14(j) (*Margin and Collateral*)).

**FCM Clearing Members are warned that the transfer of Collateral and the grant of a security interest are complex legal matters. The FCM Rulebook and any communication with the Clearing House (whether of an oral or written nature) are not to be taken as legal or other advice. An FCM Clearing Member should seek its own independent professional advice.**

#### 4.1.2 *General Information*

##### LCH Security Arrangements

FCM Clearing Members wishing to lodge securities with the Clearing House may do so under the security arrangements set out in the FCM Clearing Membership Agreement and the FCM Regulations.

Collateral provided in respect of an FCM Clearing Member's Client account will not be applied by the Clearing House to its liabilities on ~~a House account~~ [its Proprietary Account or any of its FCM Affiliate Accounts](#) (see FCM Regulation 14(j) (*Margin and Collateral*)).

Unless stated otherwise in the FCM Rulebook, Collateral provided in respect of an FCM Clearing Member's ~~House account~~ [Proprietary Account](#) may be applied by the FCM Clearing House towards the payment of any sum whatsoever due by the FCM Clearing Member to the Clearing House, **provided, that** no Collateral furnished in respect of an FCM Clearing Member's Client accounts shall be applied on or towards payment or satisfaction of any of the FCM Clearing Member's liabilities to the Clearing House on ~~any of the~~ FCM Clearing Member's ~~House accounts~~ [Proprietary Account or any of its FCM Affiliate Accounts](#).

As set out in FCM Regulation 14(c) (*Margin and Collateral*), where an FCM Clearing Member wishes to furnish Collateral on behalf of an FCM Client [or an FCM Affiliate](#) to the Clearing House, the FCM Clearing Member must, *inter alia*, ensure that at all times it remains expressly agreed with the FCM



Client or FCM Affiliate that the FCM Clearing Member may provide the Collateral to the Clearing House, on the Clearing House's terms and free of the FCM Client's or or FCM Affiliate's interest to secure the FCM Clearing Member's obligations to the Clearing House. The Clearing House gives no undertaking that, on the Default of an FCM Clearing Member, it will not utilize Collateral furnished on behalf of an FCM Client or FCM Affiliate which has been passed to it by an FCM Clearing Member, before utilizing any other form of Collateral the Clearing House may hold.

#### 4.1.3 ***Additional General Information***

The Clearing House is, at its sole discretion, entitled to determine what will be acceptable to it as Collateral and to determine when a security will cease to be acceptable as Collateral.

If any cash, instrument or security lodged in accordance with any of the following FCM Procedures is in any way found to be unacceptable, it will immediately be given a zero value in the FCM Clearing Member's relevant account with the Clearing House. Replacement Collateral may be required immediately from the FCM Clearing Member.

#### 4.1.4 ***Instructions***

The Clearing House accepts instructions to lodge, release and transfer cash and securities via the CMS and/or any other operational process the Clearing House determines. If there is an outage of the CMS, the Clearing House may require an FCM Clearing Member may to send ~~ertain~~ instructions using ~~the appropriate form in the Schedules of these FCM Procedures by email to collateral.clientservice@lsef.com~~ a contingency form made available for such purpose.

Collateral Operations can be contacted on +44 (0) 207 426 7505.

The Clearing House is entitled to act upon CMS instructions or communications appearing to have been issued by or on behalf of, or to have come from, an FCM Clearing Member. These will be accepted by the Clearing House as genuine, even if, for example, they are later found:

- (a) to be inaccurate, whether in whole or in part; or
- (b) not to have been given by the FCM Clearing Member or with the authority of the Clearing Member.

The Clearing House will only accept delivery of securities Collateral from an FCM Clearing Member in accordance with these FCM Procedures and will not sell or purchase cash or securities Collateral for FCM Clearing Members, except in so far as it is acting under its Default Rules and related provisions of the FCM Rulebook or in relation to Exchange Rules.

The Clearing House reserves the right to change the information required on instructions received via the CMS, whenever the Clearing House, at its sole discretion, considers that it would be appropriate to do so.

4.1.5 ***Excess Margin Maintained in respect of Proprietary Accounts and FCM Affiliate Accounts***

In accordance with FCM Regulation 14(bb) (*Margin and Collateral*), an FCM Clearing Member is permitted to maintain Excess Margin in the respect of its Proprietary Account and its FCM Affiliate Accounts on a combined basis (regardless of whether any such FCM Clearing Member has elected to have one or more of its FCM Omnibus Swaps Client Accounts with LCH subject to the With Excess Client Model), but subject to the right of the Clearing House, in its sole discretion, to return such Excess Margin to the FCM Clearing Member. Alternatively, the Clearing House may notify that FCM Clearing Member of the intention to levy a charge in respect of Excess Margin with effect from such date as is notified to the FCM Clearing Member. In the event that the FCM Clearing Member does not remove Excess Margin before the date so notified, the Clearing House may, in its discretion, charge the FCM Clearing Member at the rate of 1 basis point per day until Excess Margin is removed by the FCM Clearing Member. Payment of this charge shall be collected on a monthly basis through that FCM Clearing Member's PPS sterling account. This charge applies only to Margin lodged with respect to FCM Contracts registered to the FCM Clearing Member's Proprietary Account.

The Clearing House shall have absolute discretion to decide whether and to what extent it is holding Excess Margin at any time.

The ability of FCM Clearing Members to maintain Excess Margin in its FCM Omnibus Futures Client Accounts with LCH is governed by the provisions of the FCM Rulebook, including FCM Regulation 14(aa)(i) (*Margin and Collateral*).

The ability of FCM Clearing Members to maintain Excess Margin in its FCM Client Sub-Accounts is governed by the provisions of the FCM Rulebook, including FCM Regulation 15 (*Margining of Swap Product Client Accounts*).

4.1.6 ***Return and Provision of Cash Excess Margin***

Requests for the return of USD cash Excess Margin must be received by the Clearing House before 09:30 hours (New York time) on a U.S. Business Day. In respect of any such request received by the Clearing House after 09:30 hours (New York time) on a U.S. Business Day, the Clearing House shall have sole discretion as to whether or not to return the relevant USD cash Excess Margin to the requesting FCM Clearing Member except with the consent of the Clearing House. Additionally, if the Clearing House does not repay the relevant excess USD cash requested by an FCM Clearing Member after 09:30 hours (New York time) on a U.S. Business Day, such request shall be deemed void.

Client Account with LCH, FCM Omnibus Futures Client Account with LCH-~~er~~, Proprietary Account, [or FCM Affiliate Accounts](#) and to the non-cover ledger within such account (see Section 3.1.3(a)(i) of these FCM Procedures) on the appropriate payment date, and such Coupons will be cash Collateral.

The Clearing House will promptly on or after the appropriate payment date take such steps as are necessary to transfer Coupons to the relevant FCM Clearing Member (except Coupons which are automatically transferred to such FCM Clearing Member by operation of a triparty transaction), provided that the Clearing House shall only be obliged to take such steps pursuant to this Section 4.1.10:

- (a) to the extent that they constitute Excess Margin;
- (b) if the FCM Clearing Member is not a Defaulter;
- (c) to the extent the Clearing House is permitted to take such steps and make such transfer under Applicable Law and the contractual provisions of any relevant Depository;
- (d) if the Clearing House considers it is not necessary or desirable to retain such Coupons in order to effect (or seek to effect) a transfer of FCM Contracts and Collateral from an account of an FCM Clearing Member to another account of an FCM Clearing Member or Non-FCM Clearing Member in accordance with the FCM Rulebook, the FCM Procedures, the UK General Regulations and/or UK General Procedures; and
- (e) if there is no overnight margin and/or cash call (including an EOD Margin Run call) in respect of the relevant FCM Clearing Member which remains outstanding.

#### 4.1.11 **Record Date**

The Clearing House may restrict the lodgement, release and/or transfer of non-cash Collateral on a record date for the payment of a Coupon applicable to such non-cash Collateral where the Clearing House considers this necessary in order to correctly pay such Coupon to the relevant FCM Clearing Member on the Coupon payment date.

FCM Clearing Member shall withdraw all Securities Collateral used to cover their initial margin requirements prior to the maturity record date for the relevant securities, which is the cut-off date used to determine which security holder is entitled to final redemption funds for the relevant securities (“**Final Redemption Record Date**”).

## 4.5 Triparty Service with Euroclear and Clearstream

### 4.5.1 *General Information*

In order for an FCM Clearing Member to transfer securities to the Clearing House using a triparty arrangement, such FCM Clearing Member, the relevant triparty agent and the Clearing House must have completed and signed the relevant documentation. Please contact the Clearing House on +44 (0)207 426 7237 for more information.

FCM Clearing Members may execute a triparty transaction to cover Initial Margin requirements at the Clearing House. Triparty instructions must be provided to the Clearing House via the CMS. Instructions may be input for future settlement dates.

If there is an outage of the CMS, the Clearing House may require an FCM Clearing Member ~~is unable to make to send~~ triparty instructions ~~via the CMS, it will be possible to instruct using the relevant triparty~~ using a contingency forms found in the Schedules of these FCM Procedures form made available for such purpose.

Triparty transactions must be a minimum of one million GBP, EUR or USD.

Note: In these procedures, “S” refers to the settlement day, “S-1” to the working day before settlement day.

### 4.5.2 *Lodgment and Increase Procedure*

Last instruction deadline to the Clearing House for (UK Time):			
	Euroclear Bank	Clearstream	
Same day settlement	17.00	18.00	
Next day settlement	17.00 (S-1)	18.00 (S-1)	

### 4.5.3 *Decrease and Closing Procedure*

Last instruction deadline to the Clearing House for (UK Time):			
	Euroclear Bank	Clearstream	
Same day settlement	17.00	18.00	
Next day settlement	17.00 (S-1)	18.00 (S-1)	

### ***Sufficient Collateral***

Where the Clearing House determines that the FCM Clearing Member has sufficient Collateral available, closure of a triparty transaction or the decrease of the transaction amount of a triparty transaction will be processed on the same day and the resulting reduction of Collateral will be taken into account for the purposes of calculating the value of the FCM Clearing Member's Margin.

### ***Insufficient Collateral***

Where the FCM Clearing Member has insufficient Collateral to close a triparty transaction or to decrease the transaction amount of a triparty transaction, the Clearing Member's Margin will be deemed to be decreased overnight and, the following morning, the Clearing House will only close the triparty transaction or decrease the transaction amount of the triparty transaction after 09.00 (UK time) when any PPS cash calls have been confirmed.

### ***Triparty Deficits***

In the event that the Clearing House determines that a shortfall exists under a triparty arrangement, whether because of a decrease in the value of securities furnished or otherwise, and such shortfall has not been made good by the inclusion of additional securities, the Clearing House shall be entitled to make one or more PPS cash calls in respect of such shortfall. Cash calls in relation to shortfalls will be called in accordance with Section 3.2 of these FCM Procedures. Such cash shall either be credited to the FCM Clearing Member upon the FCM Clearing Member making good the deficit pursuant to the triparty arrangement or retained as Collateral if the FCM Clearing Member does not make good the deficit.

## **4.6 Withholding Taxes**

### **4.6.1 *US Withholding Taxes***

For tax reasons, the Clearing House is required to segregate foreign (i.e., non-US) owners' securities from US owners' securities. FCM Clearing Members must deliver securities to the correct account. The Clearing House operates accounts with Citibank N.A. and Bank of New York Mellon.

In order to reduce or to eliminate US withholding tax, the correct tax documentation must have been provided in respect of each owner. To this end, FCM Clearing Members will be expected to provide one of the forms noted below to the Clearing House. A current form will be required for each FCM Clearing Member.

- (b) a corporation resident in Italy; or
- (c) a supranational organization recognized by Italian Law.

Beneficial owners are required to supply duly completed and executed official forms as proof of eligibility to the exemption and where applicable supply additional documentation, before a delivery can be made into this account.

Official forms are available on request from Collateral Operations.

Original forms are to be received by the Clearing House before Italian securities can be accepted within the gross account 91737.

The effective date depends on the type and terms of the security:

Coupon Debt securities (BTPs, CCTs and CTOs)

The new regime applies to Coupons that arise on these securities on or after 1 January 1997, regardless of the issue date.

Zero Coupon debt securities with a maturity of less than one year (BOTs)

The regime applies to all securities issued on or after 1 January 1997.

Clearing Members should consult their own tax advisers before lodging Collateral with the Clearing House or submitting any tax documentation.

#### 4.6.3 ***Withholding tax – Depositories***

A Depository may offer a recovery service for overseas taxes on government bonds. The Clearing House will assist in the recovery process and remit to FCM Clearing Members any relevant recovery in withholding tax credited to the Clearing House's account by the relevant Depository.

In certain cases, the Clearing House or the relevant Depository will withhold tax on a Coupon if the correct documentation is not lodged with the Clearing House or such Depository.

#### 4.7 **References**

These FCM Procedures should be read in conjunction with the relevant contractual provisions, user guides and/or manuals of the relevant Depository. Please also refer to each relevant Depository for the relevant settlement deadlines in particular those for deliveries from local markets to Clearing House accounts.

#### 4.8 **Contingency Arrangements**

In the event of an outage of the CMS, the Clearing House will notify FCM Clearing Members via member circular ~~and~~. During any such outage, the Clearing House may require FCM Clearing Members may to send ~~certain~~ instructions, ~~using the appropriate form in the Schedules of these FCM Procedures, to the Clearing House by~~

~~fax and email~~ [contingency form made available for such purpose](#) (see Section 4.1.4 of these FCM Procedures).

Normal service hours and deadlines will apply to such instructions.

The Clearing House will notify FCM Clearing Members via a member circular when the CMS is available again.

#### 4.9 Treatment of Unallocated Excess and Return of FCM Buffer

##### 4.9.1 *Return and Reapplication of Unallocated Excess and Return of FCM Buffer*

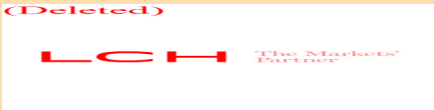
Upon the request of an FCM Clearing Member, the form of which shall be prescribed by the Clearing House from time to time, the Clearing House shall return all or a portion of such FCM Clearing Member's available Unallocated Excess or FCM Buffer (as requested) to such FCM Clearing Member; **provided, that** (i) FCM Clearing Members are not entitled to request the return of Encumbered FCM Buffer, (ii) the Clearing House shall not be required to return FCM Buffer if the FCM Clearing Member is a Defaulter, and (iii) the return of non-cash Collateral is subject to the restriction under Section 4.1.11. The FCM Clearing Member's request must contain the specific details of the amount of Collateral requested and whether such FCM Clearing Member is requesting the return of FCM Buffer or Unallocated Excess, and any other information reasonably requested by the Clearing House. The end of day report delivered to the FCM Clearing Member by the Clearing House shall constitute conclusive evidence of the amount of any FCM Buffer or Unallocated Excess returned to such FCM Clearing Member during that day, unless the Clearing House determines such report contained an error and subsequently delivers an amended report or other notice to the FCM Clearing Member in respect of such amounts.

FCM Regulation 15 (*Margining of Swap Product Client Accounts*) contains additional provisions relating to FCM Buffer, Encumbered FCM Buffer and Unallocated Excess.

Upon request from an FCM Clearing Member, the form of which shall be prescribed by the Clearing House from time to time, the Clearing House will apply Margin attributable to (A) an FCM Clearing Member's Unallocated Excess Sub-Account and/or (B) all of an FCM Clearing Member's FCM Client Sub-Accounts to its FCM Buffer Sub-Account. In requesting such transfer, the FCM Clearing Member shall be deemed to represent and warrant that such reapplication of Margin: (1) is in accordance with applicable law and regulation; and (2) has been requested by an individual that is appropriately authorized to make the request. Any request from an FCM Clearing Member to reapply Margin must: (i) in the case of a request for reapplication pursuant to sub-clause (A) above, contain the specific details of the amount of Margin to be reapplied; (ii) only request the reapplication where such reapplication reflects the true characterization of the Margin held by the Clearing House (in particular, the reapplication of Margin pursuant to this paragraph should only be requested where the relevant Margin is the property of the FCM Clearing

**SCHEDULE 4A**  
**FCM CLIENT ACCOUNT LODGMENT FORM [RESERVED]**

~~(Deleted)~~



**CONTINGENCY FCM CLIENT  
LODGMENT FORM**

~~Version 1 - December 2011~~

~~To: LCH Limited ("the Clearing House")~~

~~LCH Limited Ref No:~~ \_\_\_\_\_

~~From: Clearing Member (full name):~~ \_\_\_\_\_

~~Client Account~~ \_\_\_\_\_ ~~Mnemonic:~~ \_\_\_\_\_

~~We hereby transfer the securities described below to the Clearing House under the terms of FCM Regulations 14(l) and 14(m) (Margin and Collateral) of the FCM Regulations.~~

~~We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator. We hereby confirm that the securities detailed below are customer funds subject to segregation pursuant to the U.S. Commodity Exchange Act and the regulations of the Commodity Futures Trading Commission promulgated thereunder.~~

<del>Security Code- Number</del>	<del>Settlement Date</del>	<del>Trade Date</del>	<del>Amount/Nominal- Value</del>	<del>Description of Security</del>

~~Delivery from: Depository/Agent~~ \_\_\_\_\_

~~US Securities, Broker Code~~ \_\_\_\_\_

~~Account Holder:~~ \_\_\_\_\_

~~Account Number:~~ \_\_\_\_\_

~~Beneficial Owner Italian Tax ID:~~ \_\_\_\_\_

~~Delivery to:~~ \_\_\_\_\_

<del>BONY- (US- Owners)</del>	<del>BONY- (Non-US- Owners)</del>	<del>BONY- (Global)</del>	<del>Citibank- (US- Owners)</del>	<del>Citibank- (Non-US- Owners)</del>	<del>Citibank- (Global)</del>	<del>Euroclear- (EUR- Securities)</del>	<del>Euroclear- (Italian)</del>
<del>735138</del>	<del>735139</del>	<del>874067</del>	<del>206203</del>	<del>207887</del>	<del>T613085309</del>	<del>15211</del>	<del>25910</del>

~~Signatories for and on behalf of  
The Clearing Member:~~

1. \_\_\_\_\_  
(~~Signature~~) (~~Print Name~~) (~~Position~~)


2. \_\_\_\_\_  
(~~Signature~~) (~~Print Name~~) (~~Position~~)

~~Date:~~ \_\_\_\_\_



**SCHEDULE 4B**  
**CONTINGENCY FCM HOUSE ACCOUNT LODGMENT FORM**

~~(Deleted)~~



~~PROPRIETARY – COLLATERAL LODGMENT FORM~~  
Version 1: ~~December 2011~~

To: LCH Limited (“the **Clearing House**”)

LCH Limited Ref No: \_\_\_\_\_

From: ~~Clearing Member (full-name):~~ \_\_\_\_\_

In respect of ~~Proprietary Business~~ Mnemonic: \_\_\_\_\_

We are entitled to the entire beneficial interest in these securities.

~~We acknowledge that these securities may be held by any custodian in any depository, securities clearing or settlement system (in the United Kingdom or elsewhere) which may for the time being be customarily used in connection with securities of similar kinds on a fungible basis and subject to the rules of the relative system and the terms and conditions of its operator, and the Clearing House has no responsibility for the performance of any such custodian, system or operator and in particular we consent, where applicable, to the securities being held in the Euroclear clearance system subject to the fungibility regime organized by the Belgian Royal Decree No. 62 of 10 November 1967 promoting the circulation of securities as amended from time to time.~~

~~We hereby confirm that the securities detailed below are NOT customer funds subject to segregation requirements pursuant to the US Commodity Exchange Act and the regulations of the Commodity Futures Trading Commission promulgated thereunder.~~

Security Code Number	Settlement Date	Trade Date	Amount/Nominal Value	Description of Security

Delivery from: ~~Depository/Agent~~ \_\_\_\_\_

US Securities, Broker Code \_\_\_\_\_

Account Holder: \_\_\_\_\_

Account Number: \_\_\_\_\_

Beneficial Owner Italian Tax ID: \_\_\_\_\_

Delivery to: \_\_\_\_\_


BONY (US Owners)	BONY (Non-US Owners)	Citiban k (US Owners)	Citiban k (Non-US Owners)	Euroclear Bank (Global)	Euroclear Bank (Italian)	Euroclear UK & Ireland (CrestCo)
735136	735137	090401	090372	91205	91737	5165

Signatories ~~for and on behalf of The Clearing Member:~~ \_\_\_\_\_

† \_\_\_\_\_  
 (Signature)                      (Print Name)                      (Position)

<p>2 -</p>	<p>_____ (Signature)</p>	<p>_____ (Print Name)</p>	<p>_____ (Position)</p>
	<p>Date: _____</p>		

**SCHEDULE 4C  
CONTINGENCY COLLATERAL RELEASE FORM**

<p>(Deleted)</p> 	<p><b>COLLATERAL RELEASE FORM</b></p> <p>Version 1: June 2011</p>			
<p>To: LCH Limited ("the Clearing House")</p>				
<p>From: Clearing Member (full name): _____</p>				
<p>House/Client Account* _____</p>	<p>Mnemonic _____</p> <p style="text-align: right;">* Please delete as appropriate</p>			
<p>We hereby request you to release the securities described below:</p>				
<p><b>Security Code Number</b> (e.g. ISIN)</p>	<p><b>Delivery Date</b></p>	<p><b>Trade Date</b></p>	<p><b>Amount/Nominal Value (Issue— Coupon— Maturity)</b></p>	<p><b>Description of Security</b></p>
<p>The Clearing House Ref No: _____</p>		<p>(from lodgment form)</p>		
<p>Delivery to: Depository/Agent _____</p>				
<p>US Securities, Broker Code _____</p>				
<p>Account Holder _____</p>				
<p>Account Number _____</p>				
<p>Signatories for and on behalf of the Clearing Member:</p>		1		
		(Signature)	(Print Name)	(Position)
		2		
		(Signature)	(Print Name)	(Position)
		Date		
		e		
<p>To: THE ABOVE-NAMED CLEARING MEMBER</p> <p>The release of the above-mentioned securities is agreed.</p>				
<p>For and on behalf of LCH Limited:</p>				
		Date:	Time:	
<p>(Authorized Signatory): _____</p>				

Registered in England No. 25932 Registered Office: Aldgate House, 33 Aldgate High Street, London EC3N 1EA

Recognised as a Clearing House under the Financial Services and Markets Act 2000.

LCH LIMITED COPY